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Cover by Jim Garrison
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THIS SCHEDULE WAS WRITTEN MAY 7th.

The Presidential Convention

1975 LIBERTARIAN PARTY NATIONAL CONVENTION

SCHEDULE AS OF MAY 7

Monday, 25 August
- Begin the FREE LUNCH SERIES
- LIBERTARIAN HISTORY SEMINAR

Tuesday, 26 August
- Begin PLATFORM, BYLAWS, CREDENTIALS COMMITTEES
- Begin ACTION WORKSHOP SERIES
  - -NEWSLETTER WORKSHOP
  - -AUDIO-VISUAL WORKSHOP
  - -FUNDRAISING WORKSHOP
  - -ORGANIZATION WORKSHOP
- FEMINISM and LIBERTARIANISM led by Fran Youngstein and a panel you wouldn't believe

Wednesday, 27 August
- More Committee Meetings
- More ACTION WORKSHOP SERIES
  - -PUBLIC SPEAKING WORKSHOP
  - -CANDIDATES WORKSHOP
  - -ADVERTISING WORKSHOP
  - -CAMPAIGN MANAGERS WORKSHOP
- THE GREAT AVERAGE WORKING PERSON'S ECONOMIC CONFERENCE (AFFORDABLE)

Thursday, 28 August
- Breakfast Series: ~~Featured Speaker~~ DAVID FRIEDMAN
- TAX STRIKE SEMINAR with KARL BRAY and panel
- LIBERTARIAN FOLKSONGS
- FIRST GENERAL SESSION
- DR. MURRAY ROTHBARD delivers KEYNOTE ADDRESS
- Reception on STARLIGHT ROOF of the Statler Hilton
- BUS TOUR OF MANHATTAN with a stop at LAISSEZ FAIRE BOOKS
- STARLIGHT HARBOR CRUISE around tip of Manhattan and STATUE OF LIBERTY

Friday, 29 August D.T. ARMENTANO
- Breakfast Series: ~~featured speaker~~
- GENERAL CONVENTION SESSION
- MULTI-MEDIA SERIES ON LIBERTARIANISM
- MUSICAL THEATRICAL EVENT

Saturday, 30 August
- Breakfast Series: featured speaker
- NOMINATION AND SELECTION OF 1976 LP PRESIDENTIAL CANDIDATE
- PRESS CONFERENCE for Presidential Candidate
- Continue General Session
- An OPEN EVENING IN NYC

Sunday, 31 August
- Breakfast Series: featured speaker
- Selection of VICE-PRESIDENTIAL CANDIDATE
- ACCEPTANCE SPEECHES BY PRESIDENTIAL AND VICE-PRESIDENTIAL CANDIDATES
- ELECTION OF PARTY OFFICERS
- FINAL GENERAL SESSION
- THE BANQUET featuring speeches and entertainment

Monday, 1 September
- National Executive Committee Meeting

Throughout
- GIANT EXHIBIT HALL
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WE'RE GOING TO SHAKE THIS TOWN TO ITS CORE.

editorial

POLITICAL PAYOFFS: IS BRIBERY A NONVICTIM CRIME?

"We're trying to draw the line between bribes where the company pays off government officials directly or indirectly, and routine fees and payments that are part of doing business in some part of the world."—**Senator Frank Church**

"[O]ne may well ask whether the present degree of reliance on the criminal sanction in the field of economic regulation may not be misplaced."—**Herbert L. Packer**

Recent disclosures of several large bribes by major American companies have triggered a storm of criticism about the ethics of corporate business practices.

In April, the world's leading banana marketer, United Brands Co., admitted payment of a $1.25 million bribe to an official of the Republic of Honduras to secure a reduction of a significant new export tax on bananas. United Brands' banana properties in Honduras supply about one-fourth of the company's total banana production.

In May, it was reported that Gulf Oil Corp. stated in secret testimony to the Securities and Exchange Commission that it had been compelled to pay $4.2 million to foreign politicians to operate in their country. Gulf would not identify the country for fear of placing its $700 million investment there "in severe jeopardy."

Bribery is so widespread throughout the world that kickbacks are virtually a way of life for multinational corporations.

Disclosures of payoffs have had some notable political ramifications:

- The Honduran chief of state, General Oswaldo Lopez Arellano, was ousted in a bloodless coup after he refused to let his foreign bank accounts be examined by a commission investigating the United Brands bribe. The $1.25 million payment was reported to have been intended for Lopez, but no formal charges have yet been filed against him. According to *Time,* what seems to be the prevailing sentiment about Lopez was expressed by a governmental employee: "I love my general. He wasn't the best President in the world, but he is the best any of us can remember."
- Multimillionaire John B. Connally, former Governor of Texas and Secretary of the Treasury under Nixon, was acquitted of bribery charges after a three-week trial in April. Connally was accused of receiving $10,000 from the Associated Milk Producers, Inc., the nation's largest dairy cooperative, as a payoff for influencing Nixon to increase federal milk price supports in 1971, when Connally was a member of Nixon's cabinet. Associated Milk Producers' chief lobbyist testified at the trial that he gave attorney Jake Jacobsen $10,000 for Connally in 1971, but Connally swore that he rejected the payoff. Connally never denied pressuring Nixon to increase price supports—which resulted in millions of dollars of increased costs to consumers—and claimed that his acquittal showed "the system working." Once considered a top presidential contender, Connally said his experience "is going to make me more deeply committed" to public service, and he is now expected to try for a political comeback.

BRIBERY—RIGHT OR WRONG?

At present, it is not illegal under federal criminal statutes to bribe a foreign official, but federal tax laws prohibit the deduction of bribes as business expenses and the reporting provisions of federal securities laws are violated by failing to disclose significant payoffs as bribes.

A source close to a probe being conducted by the Senate Foreign Relations subcommittee on multinational corporations stated: "The real question is whether foreign payoffs should be entirely outlawed by the U.S."

We would frame the issue differently. The broad issue is: *what conduct should be designated as "criminal" in a free society?* The basic function of the criminal law is to protect an individual's person and property, and it is immoral—and counterproductive—for the criminal law to attempt to regulate an individual's private moral conduct. Criminal punishment should not be inflicted unless conduct is widely recognized as wrong or immoral, *and* it involves unjustifiable harm to others. Even if conduct is deemed immoral, it does not necessarily justify the infliction of criminal punishment. For example, as Professor Packer has observed, even if it is considered immoral—and harmful—to break a promise without any excuse, "we do not put promise-breakers in jail."

What about bribery? It is important to draw a distinction between two different types of payoffs. If the payoff is made to remove improper obstacles to voluntary business activity, the payoff should not be a crime (e.g., a bribe paid to censors to allow the sale of a newspaper critical of the government).
the payoff is made to gain a business advantage—either by receiving a subsidy or by restricting the right of others to engage in noncoercive business activity—the payoff is immoral and should be outlawed. (e.g., a payoff to obtain an exclusive license to operate a taxicab company).

This is, in many ways, a radical view, which is based on the libertarian premise that no individual or entity has the right to initiate the use of force against another.

Many instances of bribery are merely increases in the cost of doing business because of improper governmental restrictions. For example, price controls which restrict prices from reaching the free-market level commonly cause shortages resulting in bribes for favored treatment. Such bribes result from the artificial shortage brought on by price controls and—from an economic standpoint—are merely a means of circumventing distortions caused by governmental action. What should be prohibited is the price control—not the bribe. There is no sound justification for inflicting criminal punishment against commercial bribery—although a civil remedy should be recognized to allow recovery by shareholders for waste of corporate assets, or by an employer to recover unauthorized payoffs made to an employee.

We cannot criticize United Brands Co. for using a payoff in attempting to reduce the coercive Honduran export tax on bananas; the largest banana-exporting nation, Ecuador, has no tax at all, and consumers of United Brands' Chiquita bananas simply do not benefit from tax increases on products they purchase.

According to the chairman of Gulf Oil Corp., the company got nothing in return for its sizable payoffs—which were made under "severe pressure"—"except perhaps, the unfettered right to continue in business." We do not quarrel with Gulf's position that its payoffs were "used in an effort to further a corporate purpose believed at the time to be in the best interests of the company and its shareholders."

Indeed, bribery is so frequently a routine business cost to protect a company's right to do business, that in many countries with oppressive laws prohibiting, regulating or taxing voluntary, productive activities, there would be little business conducted in the absence of concealed bribes—to the detriment of consumers and investors alike. In this context, bribery is not only a "nonvictim" crime—where there is no victim to complain to the police—but it may also be a vital means of keeping the economy viable.

The real crime is not bribery, but the use of coercion by political officials against voluntary business activities. In our judgment, the conduct of John Connally in arranging special privileges for a private business, the Associated Milk Producers, should be outlawed—whether or not he pocketed $10,000 for his efforts. Truly meaningful reform will be to let private citizens conduct their affairs without government intrusion—and to invoke the criminal sanction against politicians who seek to impede voluntary business activity or to bestow special benefits on private companies.—**Manuel S. Klausner**

INSIDE

Those of us concerned about liberty have had good reason of late to be interested in Ronald Reagan. Increasingly, California's former governor has been turning up in first place among Republican figures in political opinion polls, among Independents as well as Republicans. In addition, in recent months Reagan has taken to using the term "libertarian" (or "libertarian-conservative") to describe his political philosophy. All of which naturally made us interested in taking a closer look at the man and his ideas. Thanks to the efforts of the late Ned Hutchinson (a former Reagan aide), REASON was able to obtain time out of Reagan's busy schedule for him to be interviewed by Editor Manuel S. Klausner.

Ronald Wilson Reagan was born in Illinois in 1911. After a varied career as a radio sports announcer, motion picture actor, and TV host, Reagan became active in conservative politics. After achieving national publicity for his televised speeches for Barry Goldwater in 1964, Reagan went on to win the California governorship in 1966 and was re-elected to a second four-year term in 1970. Throughout his eight years in office, Reagan stressed the idea of holding down the size and cost of government; nonetheless, the state budget increased from $5.7 billion to $10.8 billion during his time in office.

Reagan did institute property and inventory tax cuts, but during his tenure the sales tax was increased to six percent and withholding was introduced to the state income tax system. Under Reagan's administration, state funding for public schools (grades K-12) increased 105 percent (although enrollment went up only 5 percent), state support for junior colleges increased 323 percent, and grants and loans to college students increased 900 percent. Reagan's major proposal to hold down the cost of government was a constitutional amendment to limit state spending to a specified (slowly declining) percentage of the gross income of the state's population. The measure was submitted to the voters as an initiative measure, Proposition One, but was defeated when liberal opponents pictured it as a measure that would force local tax increases.

Reagan instituted a major overhaul of the state welfare system that reduced the total welfare caseload (which had been rapidly increasing) while raising benefits by 30 percent and increasing administrative costs. He encouraged the formation of HMO-like prepaid health care plans for MediCal patients, a move that has drawn mixed reactions from the medical community. His Federally-funded Office of Criminal Justice Planning made large grants to police agencies for computers and other expensive equipment, and funded (among other projects) a large-scale research effort on how to prosecute pornographers more effectively. He several times vetoed legislation to reduce marijuana possession to a misdemeanor, and signed legislation sharply increasing penalties for drug dealers.

Thus, Reagan's record, while generally conservative, is not particularly libertarian. But one's administrative decisions, constrained as they are by existing laws, institutions, and politics, do not necessarily mirror one's underlying philosophy. We were therefore curious to find out more about the real Ronald Reagan. Looking relaxed and healthy despite his 64 years and a hectic schedule, Reagan welcomed us to his Los Angeles office on Wilshire Boulevard and talked political philosophy with us for over an hour. Here is what we learned.

REASON: Governor Reagan, you have been quoted in the press as saying that you're doing a lot of speaking now on behalf of the philosophy of conservatism and libertarianism. Is there a difference between the two?

REAGAN: If you analyze it I believe the very heart and soul of conservatism is libertarianism. I think conservatism is really a misnomer just as liberalism is a misnomer for the liberals—if we were back in the days of the Revolution, so-called conservatives today would be the Liberals and the liberals would be the Tories. The basis of conservatism is a desire for less government interference or less centralized authority or more individual freedom and this is a pretty general description also of what libertarianism is.

Now, I can't say that I will agree with all the things that the present group who call themselves Libertarians in the sense of a party say, because I think that like in any political movement there are shades, and there are libertarians who are almost over at the point of wanting no government at all or anarchy. I believe there are legitimate government functions. There is a legitimate need in an orderly society for some government to maintain freedom or we will have tyranny by individuals. The strongest man on the block will run the neighborhood. We have government to insure that we don't each one of us have to

RONALD REAGAN

A REASON INTERVIEW

carry a club to defend ourselves. But again, I stand on my statement that I think that libertarianism and conservatism are travelling the same path.

REASON: Governor, could you give us some examples of what you would consider to be proper functions of government?

REAGAN: Well, the first and most important thing is that government exists to protect us from each other. Government exists, of course, for the defense of the nation, and for the defense of the rights of the individual. Maybe we don't all agree on some of the other accepted functions of government, such as fire departments and police departments—again the protection of the people.

REASON: Are you suggesting that fire departments would be a necessary and proper function of government?

REAGAN: Yes. I know that there was a time back in history in which fire departments were private and you insured your house and then had an emblem on the front of your house which identified which company was responsible for protecting it against fire. I believe today, because of the manner in which we live, that you can make a pretty good case for our public fire departments—because there are very few ways that you can handle fire in one particular structure today without it representing a threat to others.

REASON: How would you distinguish "socialized" fire departments and "socialized" fire insurance companies? Or would you be in favor of socialized fire insurance also?

REAGAN: No. Nor am I in favor of socialized medicine. But, there's bound to be a grey area, an area in there in which you ask is this government protecting us from ourselves or is this government protecting us from each other.

I don't believe in a government that protects us from ourselves. I have illustrated this many times by saying that I would recognize the right of government to say that someone who rode a motorcycle had to protect the public from himself by making certain provisions about his equipment and the motorcycle—the same as we do with an automobile. I disagree *completely* when government says that because of the number of head injuries from accidents with motorcycles that he should be forced to wear a helmet. I happen to think he's *stupid* if he rides a motorcycle without a helmet, but that's one of our sacred rights—to be stupid.

But to show you how these grey areas can creep in, the other day I was saying this to a man who happens to be a neurosurgeon, and who has treated many cases of this particular kind of injury and accident, and he disagreed with me on this issue. He disagreed with me on the basis of the individuals who become public charges as a result of permanent damage—he has pointed to an area where it *does* go over into not just hurting the individuals directly involved but now imposes on others also. I only use this extreme example to show that when we come down to government and what it should or should not do for the good of the people and for protecting us from each other, you do come into some grey areas and I think here there will be disagreements between conservatives and libertarians.

So, I think the government has legitimate functions. But I also think our greatest threat today comes from government's involvement in things that are *not* government's proper province. And in those things government has a magnificent record of failure.

REASON: Could you give some examples of what areas you're talking about?

REAGAN: Well, many of them in the regulatory fields of our private enterprise sector. We've noticed, for example, that for half-a-century the railroads have been saying that they could take care of themselves and would have no problems—if they could be freed from a great many government regulations and the ICC. Finally their plight was such that the government had to take over the passenger traffic with Amtrak and one of the first things that Amtrak did was ask to be relieved of the ICC regulations!

REASON: Are you in favor of decontrolling the railroads and the other regulated industries?

REAGAN: Yes. Again this comes down to the point at which we get into regulations that are for the protection of the people. I don't think anyone

suggests that we should do away with those regulations which insure safety for the passengers in transportation. I don't think that we should do away with those regulations in the field of pure foods and so forth, that make sure that some unscrupulous individual can't sell us canned meat that gives us botulism. But, we start with those legitimate areas and then we go on and regulations just keep spreading like spores of a fungus until we find that they literally are taking away the rights of management to make business decisions with regard to their competition.

REASON: Governor, are you familiar with economist Sam Peltzman's work on the Food and Drug Administration, where he pointed out the high cost of entry now and the very high cost of developing and bringing in new drugs to the market?

REAGAN: Well, I've used some figures of my own—maybe he's responsible for them. I've been trying to keep track of some of these things and in my own talks have pointed out that now we've added about $200,000,000 to the cost of drugs because of these regulations. I know of one particular drug firm, which just a few years ago, could license a drug with some 70 pages of supporting data. Today it takes that same company *73,000 pages* for an additional drug. I know that there's been about a 60 percent drop in the development of new drugs in this country.

But here again, it's the degree to which it's done. We want the protection of knowing that a drug on the shelf is not going to poison us or have an adverse effect, and yet the FDA has gone beyond that point. It's a little bit like the cyclamate question: feeding 20 rats cyclamates and then destroying millions of dollars of artificially sweetened soft drinks because it's "hazardous to our health," and then only years later, do we find out that to eat an amount of cyclamate equivalent to what the rats were given we'd have to drink 875 bottles of soft drink a day!

REASON: Don't you think the Food and Drug Administration basically serves the Big Brother role, the protectionist role, and that the free market could adequately deal with it in the absence of the regulations?

REAGAN: Well, if they *would.* And I'm sure the free market would today, but remember that the FDA was born at a time when people in this country were being killed. Back in the Spanish American War, for instance, we lost soldiers who were sent poisoned canned meat and this is when the scandal erupted that led to the pure food laws.

Maybe what we should look at are those areas where government should be a "Big Brother" in ensuring that the private sector is doing the job. In other words, suppose the whole food industry would police itself. Then I think government would have a legitimate place in keeping a watchful eye on them to make sure that industry did not gradually, for profit, erode the standards. This I think could hold true with a great many other things.

REASON: What about higher education? Is there a proper role for government in providing a university education?

REAGAN: Well, I think here there's been an exaggeration. Originally public education was based on the idea that you cannot have our kind of society without a literate citizenry. If you're going to have government of, by and for the people, then you're going to have a citizenry that is able to read, and to make decisions at the polls. It then extended to higher education because there was a segment of our society that could not get education. Now you wonder why government didn't think in terms of saying, "We will provide an education for the individual that can't provide for himself, but we'll do it by way of the private sector universities." Then they would have expanded and there would be more private universities and they would be far cheaper than they are today.

REASON: These days, most private universities are the recipients of Federal funds. Do you think that it's proper to use tax revenue to finance higher education?

REAGAN: Well, if I answer that question then I'm answering that we should do away with our state universities and frankly I haven't given enough thought to what could be a counter-system.

At first, there was a great opposition to most of the Federal revenues that are going to education on the part of many educators. Once the money was there, however, it was like the farmer who went into the woods and came back with the wagon loads of wild pigs. When they asked him how he had done it—they'd been wild for a hundred years—he said, "I built a fence and I put corn down and fed them, and they got used to eating the corn there, so I extended the fences's sides and finally I had an enclosure and I corralled them." He said, "If I can get them to take food from me, I'll own them." And this is what really happened with Federal aid to education. You know, the Federal Government could have done it differently if the Federal Government did not at the same time want control.

REASON: Many students at universities are middle class or upper middle class and tax support means that a lot of the lower class/lower income people are paying for that education. Don't you feel that there's something immoral or unethical about redistributing wealth from the lower class up to the middle class.

REAGAN: Yes. And I used that argument in my fight to get tuition in the University of California. I

have to tell you about that fight with the University of California—they were very much opposed! They wanted it kept totally free, as it had been. The tuition I was proposing was less than 10 percent of the actual cost of educating the student—which is more than $3,500 now, and at that time was roughly $3,000. I was proposing $300 tuition—and I used the exact same argument you're using. Finally, tuition was instituted.

But, I had always said that tuition should never be a block to anyone getting an education who could not otherwise afford to go to the university. I fought for a plan that would have allowed the financially needy student to defer until after graduation all or part of his tuition. And the same university administration that had fought me and did not want tuition at all, fought me equally hard on deferred tuition and did not want that benefit for the students!

REASON: Let us shift for the moment from education to your Proposition One initiative that you campaigned so hard for. How would you describe the purposes of Proposition One, Governor?

REAGAN: Well, first of all, we realized that at the state level we could not do an awful lot to reduce the vast tax burden that the people of America carry. Right now, virtually half of every dollar earned in the United States is taken by governments—Federal, state or local. And governments in the United States are all growing at about the same rate, which is about 2½ times as fast as the increase in population. We couldn't do anything with the Federal rate, which is the big villain. Nor could we impose on local governments. But we said that if the biggest state in the Union can put itself on a basis of establishing a percentage of the people's earnings above which government cannot go in taxation without the consent of the people, and if it works, then it sets an example that makes it almost impossible for the Federal government not to follow suit and do the same thing. And hopefully local governments also.

So I appointed a task force and this task force talked to economists like Milton Firedman who then volunteered to help. The task force report came back with all the facts and figures. We concluded that we could over 15 years reduce the percentage the California state government was taking—from about 8-3/4 cents out of every dollar down to 7 cents out of every dollar. It doesn't sound like much, but at the end of 15 years the difference would be that you could triple the present budget of California at a seven percent rate, and you'd have a budget three times the present size of the budget. We thought the growth of the economy was such that people could recognize that you could have this tax rate reduction without doing away with any useful government service.

Now we could have probably passed Proposition One if we had settled for the percentage the state is now taking and proposed freezing the percentage at the present level. But you see, the opposition was very dishonest. (And when I say this I include the State Employees Association, the whole educational establishment of California that opposed it, and the League of Women Voters, who made it very plain that they were going to oppose anything that limited government's ability to get more money.) These people dishonestly campaigned and convinced the people that to reduce the state's share we were going to dump the load on local government, so that the local property taxes would go up. We couldn't make clear the fact that in our plan there was a distinct prohibition on the state transferring this cost over to local government without lowering the percentage comparably. And so we lost. I *still* think it's an idea whose time has come.

REASON: Governor, given the way that Prop. One was misrepresented in California by these very strong interest groups (which would exist in other states as well), how would you restructure a campaign to sell it to the people, to counteract that kind of misrepresentation?

"I believe the very heart and soul of conservatism is libertarianism."

REAGAN: Well, as I say, it was so complicated. Maybe if we had to do it all over again, I shouldn't be so greedy. Maybe we should have settled for the present percentage, and then just held at the present spending, while waiting for people to realize that maybe you could then reduce spending in the future as you were successful with it. That would have robbed our opponents of their argument. You see, if they hadn't been able to say, "They're going to reduce the money the state's getting—so they must be going to get it from someplace else"—if they hadn't been able to say that, we could have refuted anything else they said by saying, "Wait a minute—if *they* don't want it frozen at the present percentage they must be telling you that they're going to raise taxes if they have their way."

REASON: Governor, isn't it true that in your first year in office there was actually a 24 percent increase in the state budget?

REAGAN: Oh, for heavens sakes, I don't know what the percentage was—but you see, the problem was that the state budget we inherited didn't *mean*

anything. We got in and found that to get through the election year, the previous administration had changed the bookkeeping and had a budget that was financed by 15 months' revenue. By changing to an accrual method of bookkeeping, what they really were doing was postponing until after the election what they knew was going to have to be a tax increase. We won and found that out to our surprise —because we were quite unable, even in the period between election and inauguration, to get very much information from the outgoing administration. It was *not* an orderly transition! In fact, the Director of Finance in his briefing said to one of my representatives, "Look, we're spending a million dollars a day more than we're taking in—I've got a golf game—good luck." *That* was our briefing in finance! We had to—much as we objected—institute a gigantic tax increase, and put the state back on a solvent basis. I said at the time that I did not recognize that as permanent—that we were going to try to give the money back to the people, just as we could institute reforms. Over the eight-year period we gave back in the form of one-time rebates, tax cuts and even bridge toll cuts $5.7 billion—which comes pretty close to giving back the amount of that increase.

REASON: Let me ask you—still in the area of tax reform, Governor—how you feel about the Liberty Amendment, which would abolish the income tax. Is that something you're in favor of?

REAGAN: Well, let me tell you where my doubts are there. I am very critical of the income tax—the progressive features and the complications of it—it's the one instance in your whole fiscal experience in life in which you figure out what you owe and government reserves the right to come back and tell you your figures are wrong. If you're going to have a tax the people should know what the tax is and the government should be able to tell them without the people having to go to the expense of figuring it out themselves.

Photos by Lynn Kinsky

On the other hand, I have always felt that taxing income is probably as fair a method of raising revenue for government as any. Let's take a simple case. Suppose 100 of us were shipwrecked on an island and we knew there was little chance of release and we established a community to get along—to survive there. In a sense we set up a government. What you'd probably do is ask each individual to dedicate a certain amount of his time to such things as standing guard or hunting and fishing to keep the people alive and providing fresh water and so forth, so you'd probably each one contribute a certain amount of service to the community. You'd basically be on your own except for X amount of time. Well, this in a sense is what you do with your income tax.

REASON: Of course, if you're talking about starting from scratch—the shipwrecked people on the island—you're really talking about a voluntary approach, aren't you—as against taxation?

REAGAN: Well, we're inclined to think that our government here *is* a voluntary approach and that we've set up a government to perform certain things, such as the national protection, etc.

REASON: Aren't we deluding ourselves to talk in terms of consent, though? When we talk about taxation, aren't we really dealing with force and coercion and nothing less than that?

REAGAN: Well, government's only weapons *are* force and coercion and that's why we shouldn't let it get out of hand. And that's what the founding fathers had in mind with the Constitution, that you don't let it get out of hand.

But you say voluntary on the island. Let's take a single thing. Let's say that there was some force on the island, whether it's hostiles or whether it was an animal, that represented a threat and required round-the-clock guard duty for the safety of the community. Now I'm sure it would be voluntary but you get together and you say look, we're all going to have to take turns guarding. Now what do you think would happen in that community if some individual said "Not me; I won't stand guard." Well, I think the community would expel him and say "Well, we're not going to guard *you*." So voluntarism *does* get into a kind of force and coercion where there is a legitimate need for it.

REASON: You said earlier that government doesn't exist to protect people from themselves. Let's take the desert island shipwreck situation. Would you be in favor of any laws against gambling in the shipwrecked island situation?

REAGAN: You've named an issue that is one of the

most difficult for me to reconcile. I know this gets into the whole area of the sin laws and here again I think you're in one of the grey areas. There's one side of me that says I know this is protecting us from ourselves; there's another side of me, however, that says you can make the case that it does get into an area in which we are protecting us from each other.

I cannot go along with the libertarian philosophy that says that all of the sin laws can be ruled out as simply trying to protect us from ourselves. You can take the case of the father who gambles his money away and thus leaves his family dependent on the rest of us. You can take surrounding areas—the necessity for protection against dishonest gambling—which requires added government duties and obligations—

REASON: But isn't it really very selective law enforcement when it comes to nonvictim crime areas?

REAGAN: Well, now, you know the nonvictim crimes. Here again I think you're in a grey area that requires certainly more study than I've given it. Prostitution has been listed as a nonvictim crime. Well, is anyone naive enough to believe that prostitution just depends on willing employees coming in and saying that's the occupation they want to practice? It doesn't.

REASON: Well, it partly depends on the options. There are a lot of jobs that people might find distasteful in a free market. I suppose that if you work in a paint shop and you're breathing paint fumes all day, it might not be a very desirable job either.

REAGAN: Yes. But get into the seamy side. Talk to law enforcement people about the seamy side of how the recruiting is done, including what in an earlier day was called the white slave traffic—and you will find that the recruiting for prostitution is not one of just taking an ad in the paper and saying come be a prostitute and letting someone walk in willingly.

REASON: Yes, but, Governor, we really haven't lived in a time when prostitution has been decriminalized.

REAGAN: Yes, we *have* lived in such a time. In many areas of the country in the old days, prostitution operated with local control and there was no problem and they even claimed inspection and so forth. Once, at the beginning of World War II, I asked the medical officer at our post (it was in New Orelans) why they were closing up the brothels with so many military bases there. And he gave me a pretty hard, cold answer. He said the army isn't interested in morals. The army's interested in keeping soldiers healthy. He showed me the difference in the statistics. He said the average girl in a house handled roughly 40 to 50 customers a night. And he said if

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you give her a five day week, that's 200 to 250. Suppose the first man infects her and here are 200 to 249 men that follow suit during that week and he said the most often that you could possibly inspect would be once a week. He said we also know statistically that by putting a girl out on a street because of the difficulty of soliciting and getting to a place and getting back out on the street again, they only handle about 9 customers. Now, he said, the first thing that's done when they're picked up is inspection. So every 10 days she averages inspection —and there's only been 90 customers in between. Now, you stop to think of the public health situation of this. You have to, then, take on certain regulatory chores if you're going to have this.

"I have always felt that taxing income is probably as fair a method of raising revenue for government as any."

REASON: Back to taxes, you've been very critical of the People's Lobby and the League of Women Voters' drive to change the Constitution to do away with the 2/3 majority requirement for raising bank taxes . . .

REAGAN: If they're really a People's Lobby, why aren't they going to do what we tried to do and were opposed all the time that I was governor. Don't change that part of the law—change the other part of the law that says the rest of us can be taxed by a simple majority. If they really want to put a referendum on the ballot, why don't they go out and say to the people, do you want to change this and make it so that a simple majority can increase that tax or do you want to make it that it requires a two-thirds majority of the legislature to change any tax?

REASON: You're sounding like a libertarian, now, Governor. We'd like to go all the way to 100 percent requirement for taxes!

REAGAN: Well, I don't know if that would work or not . . . but I think that this other one will. Look—you've got a legislature that takes two-thirds to pass the budget, it takes two-thirds to pass an appropriation bill, a spending bill—so why shouldn't it take a two-thirds majority to say whether you're going to raise the taxes. But these are fools who are circulating this petition, and again the League of Women Voters have explained that they are against any effort on the part of government to restrict government's ability to meet the needs and so forth. In other words to spend your money.

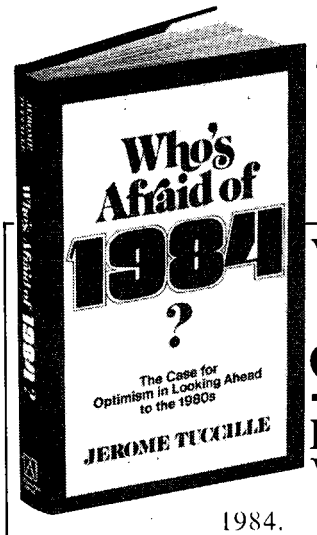
But they are fools in thinking that business somehow is getting a special break. Who pays the business tax anyway? *We do!* You can't tax business. Business doesn't *pay* taxes. It *collects* taxes. And if they can't be passed on to the customer in the price of the product as a cost of operation, business goes out of business. Now what they're going to do is make it easier for demagogic politicians—and you've got plenty of them in the state legislature—to say to the people, look, we need money for this worthwhile project but we're not going to tax you, we're going to tax business, now that we can do it by a one vote margin. So they'll tax business and the price of the product will go up and the people will blame the storekeeper for the rise in the price of the product, not recognizing that all he's doing is passing on to them a hidden sales tax.

If people need any more concrete explanation of this, start with the staff of life, a loaf of bread. The simplest thing; the poorest man must have it. Well, there are 151 taxes now in the price of a loaf of bread—it accounts for more than half the cost of a loaf of bread. It begins with the first tax, on the farmer that raised the wheat. Any simpleton can understand that if that farmer cannot get enough money for his wheat, to pay the property tax on his farm, he can't be a farmer. He loses his farm. And so it is with the fellow who pays a driver's license and a gasoline tax to drive the truckload of wheat to the mill, the miller who has to pay everything from social security tax, business license, everything else. He has to make his living over and above those costs. So they all wind up in that loaf of bread. Now an egg isn't far behind and nobody had to *make* that. There's a hundred taxes in an egg by the time it gets to market and you know the *chicken* didn't put them there!

REASON: Governor, how did you develop your philosophy of individualism?

REAGAN: Oh, Lord! I suppose I did it myself and I did it by way of the mashed potato circuit. I started out in life as a New Deal Democrat, and I campaigned many times for that. In later years—you know if you don't sing or dance and you're in show business as I was, you find that you either wind up as the toastmaster or the after-dinner speaker—there were two or three of us in the business who were used quite widely: the industry would always call on us to represent show business someplace where speaking was to be done. But if you make a speech about Hollywood, for example, and the sorrows and problems of the motion picture industry, you've got to tie it into the people you're talking to and why they should be interested. I used to use the very obvious comparison that if one industry could be discriminated against taxwise and otherwise as ours had been—threats of censorship and all—then how long

Who's Afraid of 1984?



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could it be before this happened to their industry. Pretty soon businessmen were coming to me and saying, "Let me tell you what's *already* happening to our industry!"

Finally after years of this I came back home once from a speaking trip and said to Nancy, "Look, you know it's just occurred to me that I go out and make all these speeches of things that I'm against and then I go out and campaign for the Democrats who are making it happen. I'm going to stop." Now it took me a while to get around to reregistering. But I started campaigning even though I was still a Democrat, for people on the other side; and then finally I didn't want to become one of those professional Democrats who goes all his life saying he's never voted for a Democrat, so I reregistered.

REASON: You said you were speaking out against censorship at that time?

REAGAN: Oh yes, yes.

REASON: Are you still against censorship?

REAGAN: Yes. I believed in the voluntary motion picture code. I think the motion picture industry is destroying itself and I think it is displaying bad taste in its lousy theatre.

REASON: Would you allow anything to go by way of hard core pornography as long as there are willing and consensual buyers?

REAGAN: I didn't want the picture industry doing it. I just think it's bad business. But I'm opposed to outside censorship.

REASON: Now that you're in the minority party, how do you feel about other prospects for minor parties or third party activities?

REAGAN: Well, third parties have been notoriously unsuccessful; they usually wind up dividing the very people that should be united. And then we elect the wrong kind—the side we're out to defeat wins. I have been doing my best to try to revitalize the Republican Party groups that I've spoken to, on the basis that the time has come to repudiate those in our midst who would blur the Republican image by saying we should be all things to all people in order to triumph. Lately, we find that of the 26 percent of the people who didn't vote, more than half of them now say they didn't vote because they don't see any difference between the parties. I've been urging Republicans to raise a banner and put the things we stand for on that banner and don't compromise, but don't try to enlarge the party by being all things to everyone when you can't keep all the promises. Put up a banner and then count on the fact that if you've got the proper things on that banner the people will rally round.

REASON: Do you have any views as to the effectiveness of the Libertarian Party?

REAGAN: I'd like to see the Libertarian Party—I don't say they should quit being a party—I'd like to see them, I'd like to see the conservatives, I'd like to see some of these other parties maybe come to this remnant of the Republican Party which is basically conservative in its thinking and, I think, akin to the philosophy I'm talking—I'd like to see them all come in (and this would include a large segment of the Democratic Party in this country, that certainly proved in 1972 that they do not follow the leadership of the Democratic Party any longer) and be able to say to them, OK we're not saying to you give up what you're doing, but, can't we find a common meeting ground in order at least to defeat first of all those who are doing what they're doing to us (and this present Congress is an example)? I think this is the most irresponsible and most dangerous Congress, in my experience, that this country has ever had. I think we're seeing it in the crumbling now of our position worldwide, their attitude in Indochina. Maybe many of the young people that you write for, with their hatred of war and disillusionment with what went on, don't feel this way and any thought of Indochina is going to be a red flag to them; but, for the first time in 200 years, the United States has violated its word, has abandoned an ally that it pledged to help and we're seeing the result. Mr. Kissinger came home from the Middle East empty handed because even the Israelis said, "What? Give up the passes on the basis of your word that you will help us? We now see evidence that maybe you won't help us. You can't guarantee your promise." So the dominos fall. To me this is what's most important—if we could all make a change in that Congress that now has a two-thirds majority.

I think the Republican Party should take the lead

and, as I say, raise that banner and say this is what we stand for. And what we stand for would be fiscal responsibility. I know that you can't get a balanced budget instantly, but at least an end to deficit spending. Then the goal, established as quickly as possible, of a balanced budget, and begin the retirement of the national debt, or the reduction of it certainly. I think that it should be a government, or a party, that has a position that makes it plain that even though there are social faults that may lead to people turning to crime the individual must be held accountable for his misdeeds. That on the world scene we're going to do whatever is necessary to insure that we can retain this free system of ours; in other words, we will maintain a defensive posture that is sufficient to deter agression.

REASON: Are you thinking in terms of a Fortress America approach or a world policeman approach?

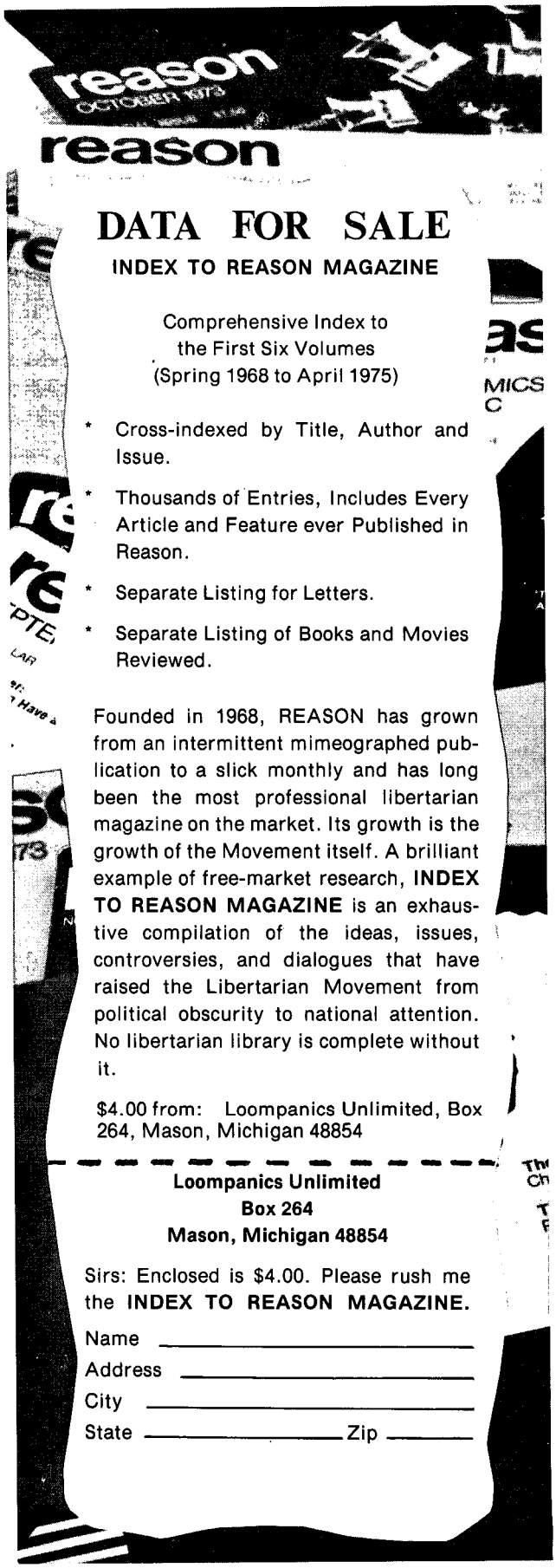
"Third parties have been notoriously unsuccessful; they usually wind up dividing the very people that should be united."

REAGAN: No. Fortress America is just what Lenin wanted us to have—whether it is world policeman or not. You know, Lenin said the Communists will take Eastern Europe, they will organize the hordes of Asia, he said they will then move into Latin America, and he said the United States, the last bastion of capitalism, will fall into their outstretched hands like overripe fruit. And that's all that Fortress America is. Now, you don't have to come through someone's beachhead—you just go over them with missiles; and one of these days, under the present policies of the Congress, the United States will stand alone as Lenin envisioned it and then face the ultimatum from the enemy.

REASON: Do you think that the war in Indochina represents any real military threat to the security of the United States?

REAGAN: Not in the sense that the North Vietnamese are going to attack the United States. But if anyone keeps asking why we are involved in Vietnam, they they also should ask the question, why is Russia involved in Vietnam. Why is Russia sponsoring the aggression of the North Vietnamese?

REASON: Well, to the extent that you may have wrongdoers or criminals elsewhere in the world, is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that a justification for the American government to use conscripts and tax funds to send American boys half-way around the world?

REAGAN: Well, of course, we never should have sent them halfway around the world. You see, the Eisenhower policy had always been one of logistical support—help the South Vietnamese to be able to resist and take care of themselves, maintain themselves as a nation. It was John Kennedy who sent the first division in there. And he had to do it and when he did it he had to know that they were going to be followed by hundreds of thousands of men, that you couldn't do it with just one division. I'm not privy nor is anyone else privy to the information that a President has when he makes such a decision, but, then came the mistake. Once you are going to commit yourself to a combat role and you're going to ask young men to fight and die for your country, then you have a moral obligation as a nation to throw the full resources of the nation behind them and to win that war as quickly as possible and get it over with, and this is where we made the mistake: to pour half a million men in there, to kill 54,000 young men in a cause that Washington, that the government was unable or unwilling to win. And don't tell me that we couldn't have licked the North Vietnamese—my God! their gross national product is the equivalent of that of Cleveland, Ohio!

"Lenin said that he would force the capitalist nations to maintain military conscription until the uniform became a symbol of servitude rather than patriotism."

REASON: Let me ask you do you believe in conscription?

REAGAN: Only in time of war.

REASON: What about in the last 10 years?

REAGAN: I disagreed with it, and I'll tell you why: I believe Lenin also on that. Lenin said that he would force the capitalist nations to maintain military conscription until the uniform became a symbol of servitude rather than patriotism.

REASON: Governor, what about the United Nations? Are you in favor of the United States withdrawing from the UN?

REAGAN: Well, I am in favor of certainly a different policy than we've had. I think the United States should have taken a very drastic action; perhaps it should have staged a walk-out at the time of the recognition of Red China. I think that the United Nations today is virtually impotent when you stop to think that countries representing two-thirds of the votes of the United Nations represent less than 10 percent of the world population. It's a funny thing that everybody who wants one man-one vote doesn't hold it true for the United Nations!

REASON: Governor if the Republicans were to nominate a candidate that was unacceptable to you in 1976, could you support a Libertarian third party candidate?

REAGAN: I have to wait and see what you're doing and what you are standing for.

REASON: Are there any particular books or authors or economists that have been influential in terms of your intellectual development?

REAGAN: Oh, it would be hard for me to pinpoint anything in that category. I'm an inveterate reader. Bastiat and von Mises, and Hayek and Hazlitt—I'm one for the classical economists. . . .

REASON: What about Rand or Rothbard?

REAGAN: No. I haven't read Ayn Rand since *The Fountainhead.* I haven't read *Atlas Shrugged.* The last few years, I must say, have been a little rough on me for doing that kind of reading—for eight years I found that when I finished reading the memorandums and reports and so forth, then I found myself digging into nonfiction, economists and so forth, for help on the problems that were confronting me.

REASON: As far as problems confronting us, a quick response if you could, Governor: the pro and con assessment of Jerry Brown. How do you think he's doing so far?

REAGAN: Well, he is an enigma. I am overjoyed, of course, at his budget approach. And I just assume that that probably stems from his Jesuit training—that that has him thinking in terms of property and economy. I think he's going to find that some of his own appointees are not sympathetic to his budgetary approach. They've got their own constituencies and pretty soon they're going to be wanting to do things for those constituents and that's going to call for spending and then he's going to find that he might be battling the legislature on one side and his own appointees on the other.

REASON: Governor, you've taken a lot of time out of your busy schedule and we appreciate it. Thank you very much. ◻

OTHER California's Governor

Eric Garris

When Edmund G. (Jerry) Brown, Jr. was running for Governor of California last fall, he accused his Republican opponent, Houston Flournoy, of wanting to "recycle Reaganism." Most people assumed that this slogan meant that Brown was attacking the fiscal conservatism of Reagan and Flournoy. As it turns out, Brown may have been attacking the spendthrift policies of the great conservative leader. For it seems that Brown, the liberals' promising young man from California, in his first year in office has proposed a smaller budget increase than Reagan proposed in any of his eight years as Governor. And the liberals are up in arms.

When Reagan ran for Governor, he promised a quarter-billion dollar cut in his first year budget. During his first year, the budget increased from $4.6 billion to $5.7 billion, a 24 percent increase from the previous year. During the eight years of Governor Reagan, the average yearly increase in the budget was 12.2 percent, leaving the state with a monstrous budget of $10.8 billion when he left office. Yet, Jerry Brown's proposed budget for fiscal 1976 calls for $11.3 billion, an increase of 4.6 percent, far less than the annual inflation rate.

Brown is saying that government spending must be reduced in order to deal with our current economic crises. He is saying that everyone is going to have to make sacrifices in regards to receiving government services. While virtually every school district in the state is screaming for more money (due to a partial equalization of state school financing) Brown has promised to veto any additional state aid to education. While more and more people are applying for welfare, Brown has opposed any additional state money for welfare. While the liberals are calling for state funds for rapid transit, Brown is saying that government-run rapid transit programs are impractical. Brown declares that "the liberalism of the 60's is dead," and "the fact that there's a problem doesn't mean that more government will make it better. It might make it worse. The interventionism that we've seen in our society is analogous to Vietnam. With our money, power, and genius, we thought that we could make the people over there be like us. Then we did the same thing to our cities. When problems don't go away, we escalate the attack until someone gives up. I'm rethinking some of that escalatory social interventionism. Inaction may be the highest form of action."

Brown, a former Jesuit seminarian, says that too much government is bad for people. "I think you've got to focus on individual accountability," says Brown, "You just can't get everything without pain and suffering or without having to pay a price . . . there is no such thing as a free ride anymore." Concurrent with this view, he has questioned no-fault auto insurance, saying that it erodes individual responsibility.

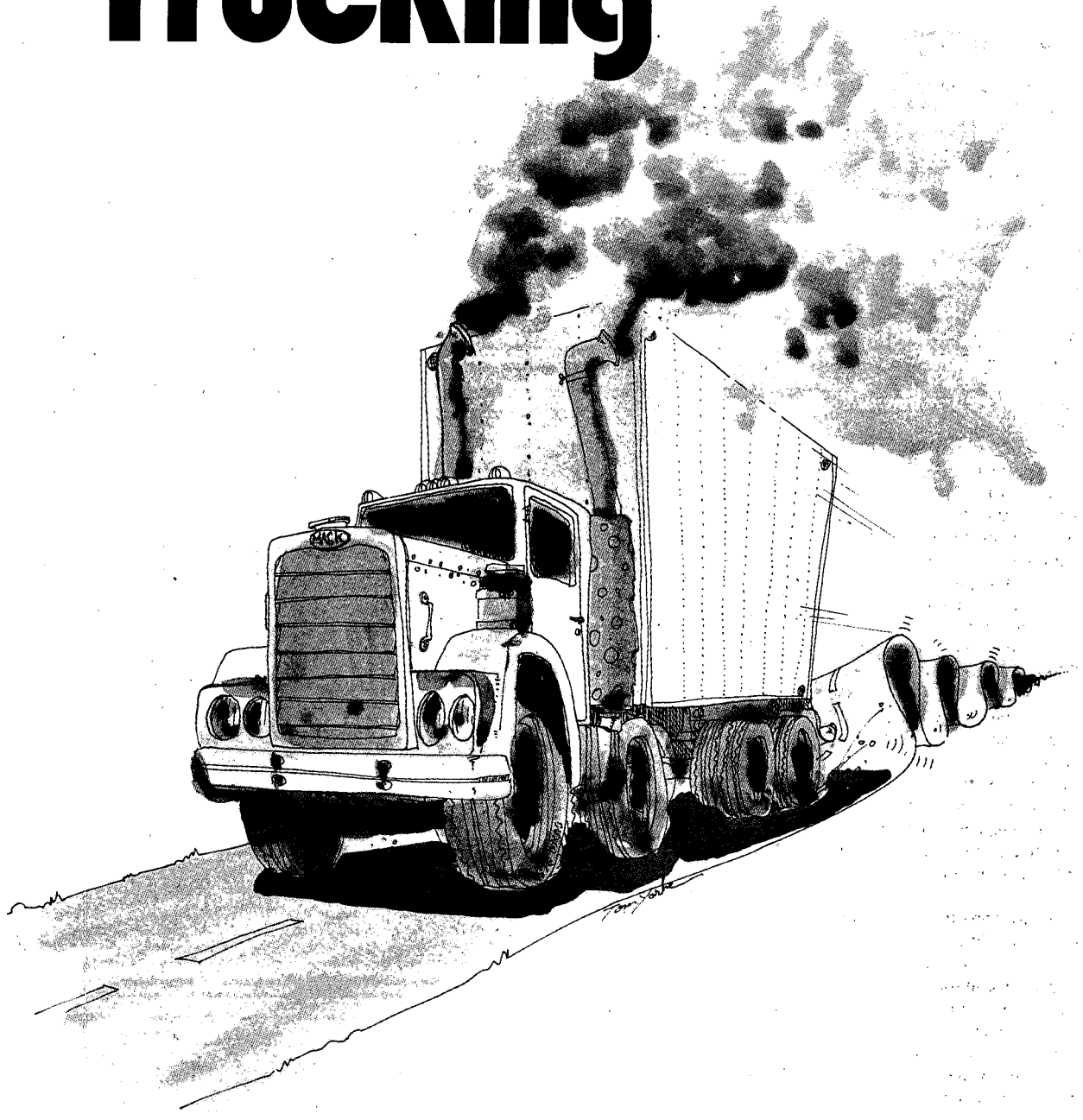
Brown has been busy in his first few months as Governor trying to cut down bureaucratic spending and eliminate unnecessary bureaucratic departments. He is trying to get higher level bureaucrats to take salary cuts and give up some of their government freebies. He even stopped the practice of giving free attache cases to state employees. Brown himself is making sacrifices by departing from the elaborate lifestyle of past governors. He refuses to live in the new Governor's mansion which was built by Reagan. Instead, he lives in a $250 a month apartment in Sacramento, and pays the rent out of his own pocket. The limousines which Reagan had used to travel in style around the state have been sold and the Cessna jet that Reagan had used lies idle. Brown, instead, flies commercial and rides in a 1974 Plymouth.

Brown seems concerned about the excesses of Federal spending as well. Recently, he strongly criticized the Federally-funded Office of Criminal Justice Planning and threatened to send the money back to the Federal Government to help lower the massive Federal deficit, unless someone could show him that OCJP was not just another useless bureaucratic department.

Not surprisingly, Brown is receiving praise from several conservative leaders and organizations. But the liberals don't know what to do. Several Democratic legislators have openly attacked Brown's fiscal policies, but the bulk of the liberal leadership is still waiting and trying to figure out what he is up to. He's pretty liberal on most civil liberties issues, which tends to confuse the liberal rank-and-file even more. The new state President of the California Democratic Council (the party's liberal wing), Wallace Albertson, admitted that Brown did seem an "awful lot like Reagan," but that she still supports him because "he must know what he's doing." If Brown keeps this up, however, he may soon face a full-force confrontation with the overwhelmingly-Democratic state legislature. And Brown is stubborn; he may be less willing to compromise than Reagan was. He has already started major battles over money with the University of California Regents and the State College Trustees.

One thing is sure. Jerry Brown is moving in the right direction. He supports many statist measures, but he is still more libertarian than the average politician, and much more than any recent Governor of California. He is more fiscally conservative than many so-called conservative leaders, and yet is a good liberal on civil liberties questions. One thing that Brown has learned from politics that can be a lesson for everyone is his analysis of government: "Government isn't a religion. It shouldn't be treated as such. It's not God, it's humans, fallible people, feathering their nests most of the time." Let us hope that the people of California can learn something from the maverick Governor. ◻

Deregulating Trucking



Mark Frazier

Contributing Editor Mark Frazier is a journalism graduate of Harvard. He has worked for syndicated columnist Jack Anderson and free lances for Reader's Digest. *He is currently living in Auckland, New Zealand, where he is writing for a local newspaper.*

Bureaucracies line the north side of Constitution Avenue in Washington, opposite a green where office workers browse away lunchtimes in museums. One popular exhibit—featuring the dinosaurs of yesteryear—lies a short walk from an agency that today creaks and wheezes in the city's new political climate. Officials in this agency fear for the future: they find outside critics suggesting that the bureaucrats there

need not cross Constitution Avenue to view anachronisms, because they work for one of the largest.

The *Washington Post* has chronicled the onset of hard times for these "guardians" of surface transportation, employees of the Interstate Commerce Commission. Opening the paper in the morning has become an unpleasant proposition for many. One day, Senator Edward M. Kennedy mourns that trucks were ever brought under regulation. On another, Federal Trade Commission Chairman Lewis Engman indicts the agency for practices that "make welfare fraud look like petty larceny." On a third, President Ford blasts regulations that force trucks to go empty. On a fourth, Senator William Proxmire demands abolition of the ICC because its rules stifle price competition.

Chances are that the ICC will not die from these jabs. Trucking and rail lobbies are too strong for that. But officials mutter aloud that a "deregulation steamroller" is on the move, and worry that a sullen Congress will hack away at the agency's authority in response to citizens' complaints about ever-emptier pockets. A respected Stanford economist, Thomas Gale Moore, author of studies on the ICC for the Brookings Institution and the American Enterprise Institute, estimates that consumers lose more than $10 billion a year because of ICC regulations that inspire price-fixing, crush free entry into the market, force trucks to haul nothing but air, and even prevent vehicles loaded with cargo from going straight to their destinations. These are only the direct costs: the long run "dynamic" inefficiencies—e.g. placement of factories near highways rather than rails because of artificially high rail rates—come to an equal or larger sum. It is quite possible that this lumbering, slow-witted agency costs the average American family $400 a year.

PARTIAL DEREGULATION PROPOSAL

The Ford Administration's legislative proposal for partial deregulation of trucking had not been released at press time, but key elements planned for inclusion have been made public in recent weeks. These include the following provisions:

- **Allowing truckers to raise or lower rates within a "zone of reasonableness" (e.g. plus or minus 15 percent) without ICC approval.**
- **Elimination of the antitrust immunity of truck industry rate bureaus, so as to prevent price-fixing.**
- **Wiping out the "unbelievable morass" of restrictions on entry into the trucking business, substituting a simple standard of allowing any carrier which is "fit, willing, and able" to enter the business.**

In addition, the Administration is preparing a proposal to levy higher user charges on heavy trucks (which do not currently pay their full share of highway costs), and to limit the use of Federal highway trust funds to Interstate highways only.

—Robert Poole, Jr.

TRUCKING

Nowhere do the problems of regulation appear with such clarity as in interstate trucking, which has been under ICC control since the 1930's. The attitude of the Commission towards competition in trucking becomes nightmarishly clear in the case of a west coast hauler named Karl Weber.

Weber began fighting the ICC in 1955, and he has yet to win more than a temporary victory. In that year, he sought rights from the Commission to carry limestone and soot ash to New Mexico. After two years, and $5000 in attorney's fees to fend off protests by established carriers who claimed to give good service already, Weber received his ruling: the application was denied.

In the mid-1960's, Weber heard about another company frustrated with existing ICC-certified carriers—a lumber mill located far from interstate highways. The company relied on "gypsy" truckers (who haul without certificates) because legal carriers did not care to travel via backwoods routes. Weber thought he could fill the void, but his application for ICC authority drew protests from 25 lawyers for potential competitors who complained that Weber would threaten their firms. A year later, despite pleas from the lumber company, the Commission rejected his request. His three trucks did not have the capacity to service the 11 state territory he sought, it said.

Weber refused to give in. He filed for temporary authority in 1966 that would allow him to operate for 30 days. For five years he struggled continuously to extend his temporary rights on a temporary basis, finally applying again for permanent authority in 1971 when he felt he had a proven record. This time, 62 trucking companies and 11 railroads protested. Only after he appealed that decision was he given rights lasting more than a few months. The catch: he can haul only *one way* in most of the shrunken territory he can service, and the authority expires at the end of three years.

"It could drive a man to the nuthouse if he let it," Weber says of his experience. "It's nearly done that to my wife. I thought I had a right to make a living in the field of my choice. I fought in World War II to protect that right."

Weber is not alone. James Blake Chisolm, a black entrepreneur who runs a charter bus line in Georgia—to the extent the ICC lets him—also has spent years waiting for authority. But Chisolm has felt ICC police-state tactics more directly. One day in July 1972, as a bus of his lay in a Florida depot preparing to return to Georgia, a man came on board. He was an ICC official who, in Chisolm's words, "accosted the people on the bus, made some of the persons on

the bus get out, and questioned them behind the bus whether they were paying me anything." Satisfied that Chisolm was carrying people for hire without authority from the Commission, the agent forced him to pay a $204 fine in cash on the spot.

RED TAPE

The red tape that snags such prospective entrants to interstate trucking as Chisolm and Weber defies belief. In almost every case, the applicant must show that established carriers lack the *capacity*—that is, the requisite number of trucks—to handle a flow of traffic. The Commission is for the most part uninterested in evidence that service is overpriced or inefficient. The cost of paperwork of all types too, is staggering. "I don't think one could start a viable company today for less than $10 or $15 thousand, just for a state license, preparing and filing tariffs [rates] with the ICC, joining a rate bureau, applying for a certificate and paying legal fees," says one New York lawyer who practices before the Commission. The lawyer—himself a former ICC employee—adds that the application process frequently lasts over a year and that the stack of paper generated in an average disputed case reaches 12 inches high. After all this, he says, a protested applicant can expect that his request will be denied.

"Entry control is the best, and most predictable and effective means yet devised by which regulated carriers may be required to fulfill their common carrier obligations to the public. Our licensing function is thus directed only to the elimination of the unsafe or unfit operator and to the prevention of economically harmful and wasteful competition."
—ICC Report to Congress 1973

"What may sound like an 'irrational and ludicrous' grant of operating authority is simply an accurate description of the traffic involved."
—ICC Chairman George Stafford

"There is no underutilization (of trucks) resulting from lack of operating authority."
—ICC General Counsel Fritz Kahn

"(The commission) is not engaged in a master-price-fixing operation, approving or disapproving every rate filed by carriers."
-ICC ruling, 1974, on application for trucking authority (denied)

"Deregulation would make it tougher for everybody to make a living."
—William Bresnahan
Chairman, American Trucking Associations

"Most of the Commission's actions to protect the public against unreasonable rates have become so commonplace that the consumer is unaware of the protection he is receiving."
—ICC Report to Congress 1972

At the ICC, much is made of the fact that it grants in full or in part about 80 percent of the applications for new authority each year. Most applications are not protested. But a look at the requests explains why—those approved are seldom large in scope; a fairly typical certificate might permit a trucker to carry kitchen sinks to three states. In 1973, the Commission rejected 941 of 5500 applications on the grounds that the carriers were unqualified or that the grant would not be in the "public convenience or necessity." It would create, in simple English, too much competition, and drain profits "necessary for investment" in the industry.

Tight control over entry is just one aspect of ICC regulation. The Commission not only keeps many qualified individuals from hauling interstate goods, it discourages those who do have ICC authority from filling up their trucks on return trips. Here, too, the agency's protective stance towards established carriers is to blame.

Elliot Trucklines of Pryor, Oklahoma enjoys permission to haul feed additives to distributors near Memphis, Tennessee. It lacks ICC authority to haul fertilizers manufactured in the Memphis area back to Oklahoma. Incredibly, the substances are almost identical. "The feed supplement is just a higher nitrogen content fertilizer," says Steve Kruger, purchasing manager for a large Tennessee fertilizer company. "The manufacturing process is the same. But as far as the ICC is concerned, one is fertilizer, one is feed supplement. Elliot cannot carry our fertilizer back to Oklahoma."

The problem of "deadheads"—empty miles—afflicts truckers everywhere, although in many cases, the ICC is not at fault. Patterns of commerce sometimes involve imbalanced flows of goods. The Commission complicates matters, however, by limiting the ability of truckers to pick up return cargoes. Even "unregulated" carriers find themselves in this bind of the Commission's making: they can haul only unprocessed agricultural goods, unless they wish to lease themselves to a regulated carrier who will rake off 10 to 25 percent.

Perversely, the Commission also prevents many truckers from travelling straight to their destinations—an aspect of regulation that the Sierra Club estimates wastes tens of millions of gallons of fuel each year. Trucks leaving Consolidated Freightways' huge terminal in Dallas must go through Kansas before entering Southern California, because the company lacks direct route authority. In Chicago, Takin Brothers Freightlines must divert cargo to Iowa before it can be taken to Minnesota, while a Connecticut based company must send its trucks

bound for Albany through New York City because it lacks rights to travel a 14 mile strip of highway between Albany and the Massachusetts border.

One of the outspoken critics of this inanity is Anthony Arpaia, a former chairman of the Interstate Commerce Commission. "Would you believe that some certificates have had service restricted to one side of the street?" he asks. "Or that when a factory changes its main entrance gate, a carrier has to come to the Commission and go through the expense and delay of a proceeding to be able to continue to service its customer?"

PRICE-FIXING

But such restrictions cost peanuts compared to those which promote industry-wide price-fixing. Interstate trucking and rail rates are set for the most part by regional networks of firms known as "rate bureaus," exempted from antitrust laws in the 1940's, whose decisions stand unless an angry party undertakes the expense of asking the ICC to intervene. The price fixing is propped up in an indirect but real way by the Commission's power to suspend or cancel rates set independently of the bureaus. Each year, the rate bureaus protest hundreds of such rates on the grounds that they are "noncompensatory" and therefore illegal. Those who seek to break the price-fixing rate level in almost every case lack the resources and legal talent of the bureaus, and suffer more from the costly hearings before the Commission. The rate bureaus, moreover, can afford the manpower to file sophisticated data while small, independent carriers struggle to manipulate the equations by which the ICC judges the soundness of a protested rate. Odds are thus stacked in favor of the rate bureaus. To add insult to injury, the proposer of an independent rate generally belongs to the rate bureau in question, and pays dues to it which in part finance the protest.

The Southern Motors Carriers Rate Conference has shown a particularly heavy hand in suppressing rate competition. Poole Trucklines of Alabama proposed in 1972 to drop his price on paper products to 66 cents per hundred pounds—26 cents lower than the rate set by the rate bureau. The Conference instantly branded it as "unjust and unreasonable," and the ICC responded by cancelling the rate reduction. A study by the ICC's own bureau of enforcement, concluded in 1974, attacks this and many of the 39 other protests filed by the Southern bureau in a single 16 month period. In a departure from the guarded language of most bureaucratic reports, the study called attention—"because of its apparent current relevancy"—to Congressional testimony in the 1950's that rate bureaus are "meddling in the affairs of the management of member lines and bringing pressures on members for not falling in line."

The Rocky Mountain Motor Freight Tariff Bureau has contributed its share of striking examples. A small carrier was hauling candy from a Krafts food plant in Texas to the west coast in 1967, often returning its trucks empty for lack of cargo bound eastward. When Kraft decided to test-market cottage cheese in Texas made at the west coast plant, the trucker agreed to carry the cheese at a low rate. The rate bureau proceeded to snatch away both the cheese and the candy from the small trucker. In a protest to the Interstate Commerce Commission, it alleged that the new rate for cheese was not compensatory. The ICC, agreeing, suspended it. Kraft officials were so upset by the rate bureau's price for hauling cheese that they switched to their own trucks. In order to fill up their trucks after they delivered the cheese, Kraft loaded them with candy formerly carried by the small trucking company.

Since 1970 the ICC has forced transportation companies and their customers to pay out over $3 million for the crime of settling upon rates lower than those filed by the rate bureaus. Calling such practices "destruction of rate integrity," the ICC has assessed three shippers alone—American Beef Packers, Inc.,

"(The ICC) is an elephant's graveyard for political hacks."
—1970 Nader report on the ICC

"There are more whiskers and cobwebs in the ICC than any place in government. The best information we have is that the Commission has become a captive of the transportation industry itself. Instead of regulating transportation to avoid monopoly and increased prices, the ICC has established monopolies, reduced competition and ordered high and uneconomic rates to cover the costs of inefficient producers."
—Sen. William Proxmire

"It has redefined the public interest to be synonymous with the needs of carriers and occasionally shippers, but has omitted labor and consumers."
—Common Cause staff memorandum

"The agency has an infinite capacity to interpret regulation in ways that are anticompetitive."
—DOT Deputy Secretary John Snow

"I have no way of knowing what the numerous regulatory measures cost the consumer each year. I have seen private estimates indicating that the annual costs in the transportation area alone may exceed $16 billion."
—Federal Trade Commission Chairman Lewis Engman

Blue Bird Food Products and Associated Growers of Florida, Inc.—almost $30,000 for trying to cut food transportation costs.

The price fixing system relies on the carrot as much as the stick. The jacked-up prices convince many truckers that they can earn more profits by going along with rate bureau actions than by rocking the boat with lower rates. Partly in consequence, regulated truckers boast an estimated return twice that of most industries—about 15 percent, according to the President's Council of Economic Advisors. The late Paul V. Cherington, a former Department of Transportation official, used to note sourly that "only truckers and whorehouses get that rate of return."

Anger with rate bureaus is rife in Washington. "I hate to use the word, but rate bureaus are cartels, legitimized by government and given antitrust immunity," says Keith Clearwaters of the Justice Department's antitrust division. "They tend to raise rates because rates set by committee are not the most efficient. The mediocre carrier is the benchmark by which rates are set." The Department of Transportation unsuccessfully has tried twice to subpoena data used by a sampling of rate bureaus in setting prices in order to show how they run the cartel. In both cases, the ICC rejected the subpoena on the grounds that the confidentiality of rate bureau deliberations is protected by law. "The ICC doesn't even get the data," a senior DOT official adds, "and you have to have it in order to regulate."

Questioning of the system has even reached into the ICC. Under DOT and Congressional pressure over a year ago, the agency launched an inhouse investigation of rate bureaus to see whether they discourage "independent action" by truckers and railroads. A preliminary report by the agency's bureau of enforcement suggests much room for improvement. If their antitrust immunity is to last, it suggests that "rate bureaus should be prohibited from opposing any independent filing of a member carrier."

In environmentalists' opinions, perhaps the worst effect of the rate bureaus is to divert huge amounts of freight to trucks that would otherwise go by rail. The diversion takes place because railroad bureaus puff up their freight rates even more than do truck rate bureaus. A widely-cited 1969 *Journal of Law and Economics* article puts the price tag at about a $2 to $3 billion loss each year. Since trains burn only a quarter of the fuel consumed by trucks hauling cargo an equal distance, the potential fuel savings amount to hundreds of millions of gallons annually.

LOBBYING

The organized might of the trucking industry would seem to doom any chance of breathing competition into regulated transportation. "There is no question that deregulation would give us more efficient transportation and redound to the benefit of the consumer," observes former Council of Economic Advisors Chairman Paul McCracken. "But the thing that produces action in government is a fairly focused interest group. What you've got on the other side are things that count in the political process—such as the Teamsters Union and the trucking lobbies." Former ICC Chairman Anthony Arpaia concurs. Trucking and rail companies inflexibly resist change in their protected positions, he warns, and they "constitute a powerful lobby with plenty of money on Capitol Hill."

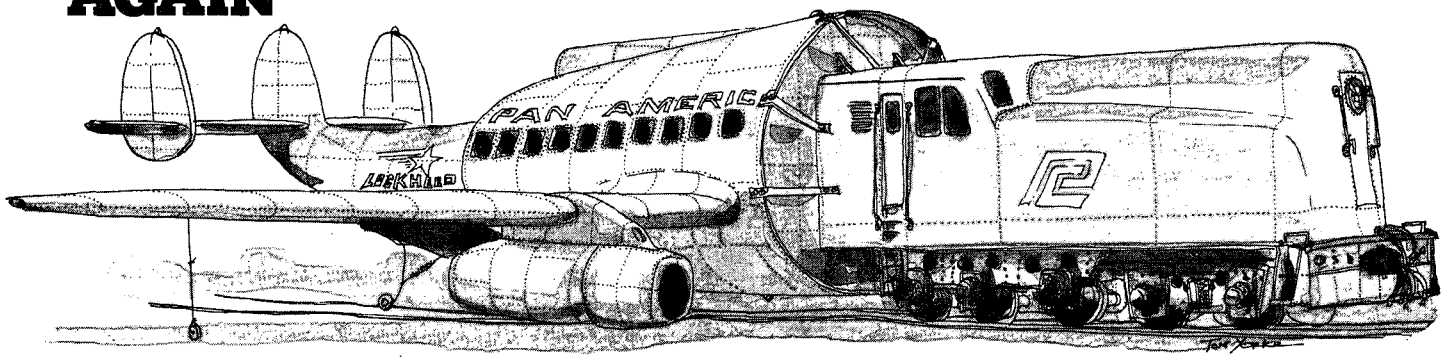
The inbred relationships between the ICC and the transportation industry add to the difficulty. The 1970 Nader report on the ICC asserts that job-switching between the Commission and the industry has grown with " 'deferred bribes' becoming the norm." The study found too that powerful industry groups quietly clear the appointees to high ICC posts before their names go to Congress. "In effect, the clearing process means prior approval by the American Trucking Associations and the Association of American Railroads, sometimes by other carrier associations, and, on occasion, relevant labor interests," it concluded. "The position, despite its critical importance, has become a political payoff, an elephant's graveyard for political hacks."

While Arpaia desires no more than an upgrading of personnel and a loosening of operating rights, Nader is adamant on ending price-fixing by rate bureaus as well. His 1970 report concludes: "All evidence indicates that the deregulated model of transportation results in neither rate wars nor cutthroat competition, but rather in healthy stimulation and competition resulting in better service."

In spite of the obstacles, a deregulation steamroller does seem to be on the move—slowly. Senator Warren G. Magnuson, head of the Appropriations and Commerce committees, appears ready to act in ways anathema to the trucking associations. While he is not prepared to deregulate completely, Magnuson states that a more competitive market may well be desirable and that "there is definitely a need for reexamination" of the certificate system. "The excruciating detail of the present classification system appears to result, in many cases, not only in economic inefficiencies such as unnecessary empty backhauls, but in an inefficient use of the Commission's regulatory energies," he says. "I do believe that the regulated transportation industry could be made considerably more efficient."

Rep. Harley Staggers, head of the House Interstate and Foreign Commerce committee, has shown a willingness to change a few of the industry's sacred cows. "I don't think any trucks should be required to gateway," he says in reference to the circuitous routes many trucks still take. "And I can't see the ICC not allowing backhauls either." In a reflective note unusual for a New Deal liberal, Staggers sums up, "The ICC has made a lot of mistakes—so have we, and so has the country." One dinosaur, in short, is alive but not well in Washington, DC. ◻

The RECONSTRUCTION FINANCE CORPORATION RIDES AGAIN



Walter E Grinder
Alan Fairgate

By now, the deepening economic crisis has become apparent to everyone: production is declining, unemployment is increasing and inflation is surging. Although interest rates have begun to moderate in recent months, they nevertheless remain at relatively high levels in comparison with the last several years. As a consequence of these economic trends, corporate management has encountered considerable difficulty not only in raising the funds necessary to meet their short- and medium-term obligations (thus creating a liquidity crisis) but, perhaps even more importantly, in mobilizing the funds to finance long-term capital investment.

The economic and political elite has responded to this deepening crisis by reversing its earlier policies and adopting expansionary credit policies through the Federal Reserve System in an effort to forestall a full-scale depression. Due to unavoidable time lags, the full impact of this shift in the focus of economic policy will not become apparent for another 6 to 18 months. In the meantime, corporate leaders must struggle with the deepest recession experienced by the American economy since World War II.

Political and academic figures confess their inability to explain the nature of the present crisis, but this has not dampened their enthusiasm for an endless stream of proposals, plans, programs and ideas for the expansion and rationalization of political control over the economic system. Senator Mansfield has renewed his perennial calls for strong price controls. Senator Bentsen has proposed selective credit controls to ensure that "productive enterprises receive the available credit." Milton Friedman, while professing to oppose the current high rate of inflation, has led the campaign for the adoption of a system of universal price indexing to minimize the adverse effects of accelerating inflation. President Ford has responded to the politically sensitive issue of rising unemployment by authorizing acceleration of Federal construction projects, inauguration of a variety of WPA-style Federal employment programs and extension of Federal unemployment insurance. In addition, a concerted effort has been launched to offer the Arabs to the American public as a foreign scapegoat which can be conveniently blamed for the present economic crisis.

From this broad range of responses to the present recession, one in particular deserves to be singled out for special mention since it could portend a fundamental structural transformation of the economic system. This involves several proposals which have been made in recent months for a revival of the Reconstruction Finance Corporation (RFC). Perhaps the most important aspect of these proposals is that they have originated from within a corporate and banking elite which has traditionally influenced government policy in the 20th century. Supporters of the RFC concept include Henry Ford, chairman of the Ford Motor Company; William McChesney Martin, former chairman of the Federal Reserve Board; Alfred Hayes, president of the Federal Reserve Bank of New York; and Gustave Levy, senior partner of Goldman Sachs.

Felix G. Rohatyn, a partner in the investment banking firm of Lazard Freres, has emerged as a leading spokesman on behalf of the growing corporate-liberal consensus regarding the need and desirability for an institution modelled on the pattern of the RFC. In his article published in the *New York Times*

Walter E. Grinder teaches in the Economic Department of Rutgers University in Newark and is an associate editor of Libertarian Review. *Alan Fairgate is currently pursuing a combined MBA-JD program at a leading eastern university.*

on December 1, 1974, Rohatyn suggests that the new RFC should be vested with an even broader role than the earlier RFC performed. Whereas the earlier RFC had been established to provide emergency loans to financial institutions and corporations threatened with collapse during the Depression, Rohatyn suggests that the new RFC should also be permitted to undertake substantial equity investments in private corporations. Thus, not only will the taxpayers be called upon to rescue faltering firms, but they will also be required to subsidize large-scale purchases of common stock to provide the firms with sufficient equity capital to continue their operations and to prevent further declines in stock market price levels.

Rohatyn notes with approval the growing support for centralized, long-range economic planning by the Federal Government and proposes that a new RFC could serve as a key instrument in the implementation of comprehensive planning. "By injecting equity capital where none is available in quantity, it could facilitate a major restructuring for the public purpose." Rohatyn's article focuses on the role which the RFC would play in advancing liquidity and equity capital to distressed banks and corporations, but there is little indication that he is aware of the exacerbation of inflationary problems which would be caused by such an institution.

"Recovery will be indefinitely postponed if policies are adopted which seek to preserve the status quo in the organization of production."

HISTORICAL BACKGROUND

To understand the significance of these recent proposals for a revival of the RFC, it is necessary to outline briefly the history of the original RFC. As with many of the measures adopted during the Depression, the RFC's origins can be traced back to wartime intervention. The War Finance Corporation established during World War I provided the inspiration for the RFC and, in fact, the RFC was staffed by much of the same personnel. Eugene Meyer, the chairman of the RFC and former Managing Director of the War Finance Corporation, illustrates the continuity which existed between these two organizations. Historians such as William Leuchtenberg and Murray Rothbard have stressed the importance of wartime institutions in providing training and experience for the personnel which later staffed a broad variety of Hoover-Roosevelt New Deal agencies.

The War Finance Corporation was not terminated until 1929 and, although not occupying a prominent position in economic management during the decade following the end of the war, it did serve as a rallying point for advocates of increased government intervention in the economy. Thus, as the Depression spread in 1931, it was natural that one of Hoover's first responses would be to seek a revival of the War Finance Corporation. Despite the support of Eugene Meyer, then head of the New York Federal Reserve Bank, various financial leaders balked at a proposal by Hoover to cooperate in advancing funds to troubled banks and corporations and Hoover eventually settled for an interim compromise. The National Credit Corporation was established as a stop-gap, "volunteer" credit advancing agency which would operate until legislative support could be mobilized for a formal institution. The RFC replaced the NCC in the following year, beginning operations in October 1932.

The WFC, NCC and RFC along with the Federal Reserve System provided an important element of continuity in the emergence and consolidation of the interventionistic superstructure of "political capitalism" (that is, fusion of the business and government sectors in various degrees) during the period extending from World War I to World War II. Through its control over the monetary supply, the Federal Reserve System pursued expansionary credit policies which caused a systematic distortion in the structure of production (over-expansion in the capital goods sector at the expense of the consumer goods sector). These policies encouraged numerous unsound investments which eventually became recognizably insolvent. Rather than allowing the market process to liquidate these unsound investments, a variety of government agencies such as the RFC were established to advance credit to firms threatened with bankruptcy. Thus, steadily expanding government involvement in the economic system became necessary to sustain the profitability of the over-investment which in turn had resulted from the expansionary credit policies made possible by government collaboration with the banking institutions. The centralization and rationalization of state involvement in the economic system has remained a predominant, if not the central, characteristic of "political capitalism."

Hoover's RFC was established with an initial capital fund of $500 million which was subscribed to by the U.S. Treasury and it was authorized to issue an additional $1.5 billion in government-guaranteed debentures. The scope and powers of the RFC were further expanded by the Emergency Relief and Construction Act of 1932 which nearly doubled total RFC capital. The RFC thus rapidly emerged as a complementary institution to the Federal Reserve System. The "Fed" sought to assure the greater availability of short-term liquidity to corporations through the banking system by lowering the quality and increasing the quantity of assets which member banks could use to borrow from the Fed. Simultane-

ously, the RFC concentrated on the purchase of long-term obligations and the granting of long-term credit to cover the long-term capital requirements of both financial institutions and corporations.

In performing this function, the RFC advanced approximately $10 billion in credit from 1931-1938—a substantial sum when considered in the context of the Depression-ridden 1930's. The quality of the loans advanced by the RFC is much more significant than the amount. By their very nature, the RFC loans allocated funds to investments which were deemed unsound by private market criteria. Thus over-extended banks were given the highest priority and the railroads which had become heavily indebted to the banks, were leading beneficiaries of RFC credit policies. While the primary function of the RFC was clearly to rescue the strategic, and highly vulnerable, banking system, RFC funds were also allocated for the purpose of reviving the depressed and over-extended agricultural sector and expanding employment through public works projects.

Rohatyn insists that a new RFC would advance credit on a "sound" banking basis but such a claim contradicts the very rationale for an RFC. Firms wishing to undertake truly "sound" investments are always able to raise the necessary financing on the private capital market and, if they are unable to locate the funds for such investment the investments are *by definition* unsound and should either be abandoned or modified to conform to objective market conditions.

LIQUIDITY CRISIS

An understanding of the long-term impact of RFC operations on the economic system requires critical examination of the assumptions underlying the proposals for such an institution. Elliot Janeway's prolific writings on contemporary economic trends articulate and popularize many of the fallacious assumptions which have been so important in hiding the underlying nature of the current crisis. First, there is the pervasive belief that the periodic "liquidity crises" experienced by corporations in conjunction with rising interest rates are only "financial problems" which disrupt the operation of an otherwise "healthy" economic system. This gives rise to the further assumption that all that is really necessary to eliminate these problems is to increase liquidity sufficiently to correct the existing disequilibrium. These assumptions are reinforced by the tendency for net earnings ratios to decline in the stock market as interest rates rise at the end of a "boom." As a result, capital flows out of the stock market into short-term money markets, thus generating a growing scarcity of long-term investment funds. As this process intensifies, there is growing pressure to resort to political intervention to resolve the inexplicable, yet somehow temporary, problem of the unavailability of adequate investment capital.

However, is the assumption really correct that the financial problems confronted on an ever-increasing scale by individual corporations are not manifestations of fundamental and pervasive distortions in the capital market? And is it possible that a policy of expanding government involvement in the capital market through such institutions as the RFC will simply aggravate the existing financial problems in the long run rather than resolving them? Satisfactory answers to these questions can only be formulated within the context of a theoretical framework and, while such a framework cannot be developed in detail here, certain broad conclusions can be inferred from the following brief analysis.

Corporate liquidity crises arise when firms discover that their past investment decisions, which were made on the basis of distorted price information (specifically, the market interest rate or cost of money capital), cannot generate the expected returns. The price distortions which influence these investment decisions arise as a consequence of the expansion of the money supply through the Federal Reserve System which artificially lowers the market interest rate. The newly created funds are first channeled into the producer's loan market, lowering the cost of future investment to the producer-entrepreneur. Since the information upon which decisions are made in a market economy is conveyed through the price system, the resulting price distortions create the false impression that there is more real capital available for investment purposes. The entrepreneur is thus led to undertake investment projects which previously had been unprofitable, and there is a general tendency towards over-investment in future consumption goods at the expense of present consumption goods.

"Policy makers will have to steadily expand the scope of state intervention in an effort to insulate corporations from the consequences of their earlier mistakes."

PRICE DISTORTION

However, since there hasn't really been an increase in the availability of factors of production, the new money capital entering the system serves to bid up the prices of the existing factors of production, thereby increasing the costs of the producers. The *real* situation becomes apparent as unanticipated costs impinge strongly on returns and the increasingly unfavorable cost-yield ratios reveal the unprofitability of much of this new investment.

Moreover, as costs continue to rise to unexpected levels, the entrepreneur is simultaneously confronted with lower revenues than had been anticipated. While

the entrepreneur had begun to shift investment to the higher orders of production in response to distorted price information, consumers were in fact demanding more consumer goods than had been expected and the anticipated demand for capital goods from the higher orders of production proved largely illusory.

The situation continues to deteriorate for capital goods producers until their declining revenue proves insufficient to cover even their current costs. In response to growing cash-flow problems, the capital goods producers begin to borrow in ever-increasing numbers on the short-term money markets. Since it is unlikely that real savings will provide sufficient funds to satisfy the growing demand for short-term loans, the capital goods producers (as well as the over-extended financial institutions) confront two possible options: new infusions of credit from government sources or a steadily worsening liquidity crisis.

Assuming that no additional infusions of credit are forthcoming, a period of widespread liquidation will be necessary to permit reorganization of assets to reflect existing market conditions more accurately. This period of liquidation represents a necessary process of price readjustment in which the prices of the factors of production (which had been artificially inflated during the preceding boom) decline to a point where they can once again be profitably employed. This process of price readjustment is a market response to the earlier phase of over-investment and it must be permitted to be carried out to its conclusion if the economy is to regain optimal efficiency in the allocation of resources. Private investment will not be forthcoming until the cost-price relationship is once again equilibrated.

The liquidity crises experienced today by corporations on an increasing scale constitute definitive proof of mistaken entrepreneurial expectations since, if there had been accurate entrepreneurial foresight, management would have ensured the availability of sufficient liquid assets to meet corporate obligations at all times. While it is true that the underlying fault for such mistaken expectations must be attributed to distortions in the price mechanism rather than to the entrepreneurs themselves, it is nevertheless necessary to resist the temptation to "bail out" unsound investments through state subsidies since such an effort will merely aggravate the mistakes already made. Receivership and reorganization of productive assets are not undesirable consequences to be avoided at all costs—on the contrary, they constitute a prerequisite for economic recovery. This recovery will be indefinitely postponed if policies are adopted which seek to preserve the *status quo* in the organization of production.

This period of price readjustment illustrates the market's role as a learning process in which entrepreneurs learn by their errors and reallocate economic resources to more socially desirable uses (as indicated by consumer preferences). The socialization of private costs undertaken by such state agencies as the RFC distorts, impedes and even halts this learning process by permitting inefficient entrepreneurs to sustain unsound investments. This intervention in the market system imposes a double burden on the public: not only are actual consumer preferences as expressed through the price mechanism not satisfied, but the public is required to finance the inefficient entrepreneurs to protect their unsound investment.

FROM POLITICAL CAPITALISM TO FASCISM

While understandable as a natural response to widespread economic distress, the proposals for the adoption of reflationary policies by the Federal Reserve System and for the creation of institutions such as the RFC to reinforce the Fed's reflationary policies serve merely as futile attempts to salvage a fundamentally distorted system of "political capitalism" and, if implemented, would only prolong the period of readjustment which will eventually prove necessary. A reflationary strategy will internalize the distortions and malinvestments within the economy while generating even further dislocations. Rather than attempting to preserve and maintain the existing system, it is necessary to work for the elimination of the central banking system that serves as the locus of ultimate decision-making within the state "capitalist" system and provides the mechanism necessary for the inflationary expansion of the monetary supply.

Central banking constitutes an inherently inflationary institution and, as long as it continues to operate, it will generate systematic distortions throughout the economy which in turn will require difficult periods of readjustment. The "business cycle" phenomenon is intrinsic to the "political capitalist" system and these periodic crises can only be eliminated by ending state cartellization of the banking sector. The collaboration between the banking institutions and the government in setting the parameters for monetary expansion and banking activity must be perceived as the source of ultimate control over the system of "political capitalism."

Attempts to resolve the growing contradictions within the political "capitalist" system without directly confronting the source of these contradictions will ultimately prove futile. Policies designed to ensure the availability of adequate supplies of liquid capital for troubled corporations may ease their short-term problems but they will provide only a superficial remedy for the steadily worsening financial condition of these corporations. Moreover, such attempts at superficial reforms will inexorably lead to more comprehensive forms of political intervention in the market system. Unwilling to permit the market process to correct the distortions caused in the structure of production, policy-makers will have to steadily expand the scope of state intervention in an effort to insulate corporations from the consequences of their earlier mistakes.

The diversion of credit and resources will internalize the distortions once again within the economic

system, thus creating a "need" for further centralization of control and fusing the state and leading corporate and financial interests together into a grand alliance for the preservation of the *status quo.* Rather than stabilizing the economic system, however, "political capitalism" represents an inherently *destabilizing* form of social organization since it increasingly impedes the equilibrating function of the market process. Ultimately, this process will result in the emergence of a truly fascistic set of political/economic relationships: the labels and outward appearance of a market system will be preserved while the locus of economic decisionmaking will be firmly imbedded in the state apparatus.

The significance of this shift in the locus of decisionmaking is not that different people would be making the decisions since, in fact, in most cases the same people will be involved, as personnel transfers between corporate offices and government offices become increasingly common. The real importance of this shift involves the abandonment of the market mechanism for the allocation of economic resources and its replacement by a system of arbitrary political decisionmaking operating within a completely different set of parameters and constraints.

One of the defining characteristics of this transition from "political capitalism" to a more "orthodox" fascist economic system involves the expanding role of the state in socializing private costs. Private profits are preserved and protected by an ever-expanding network of state privilege and subsidy designed to shift the cost burden from the individual corporation to the public at large. Thus, corporations benefit from direct subsidies, state contracts, tax privileges, low-cost, guaranteed loans and military and diplomatic protection designed to minimize the uncertainties involved in overseas investment. The RFC represents a key indicator of the progress of the transition from "political capitalism" to a fascist system. On one level, it appears to be simply one more institution for the socialization of private costs by underwriting entrepreneurial error and providing another source of liquid capital to rescue financially troubled corporations.

However, Rohatyn's proposal for a new RFC indicates that it would venture into an area in which the original RFC became only marginally involved: "From its inception, it should be an instrument empowered to make significant equity investments, in the form of either common or preferred stock, for the long-term resolution of financial problems .... The RFC should, thus, become a prominent part of our economic establishment, not just as a last-ditch creditor but as a vibrant instrument of both rescue as well as stimulus." Thus, the new RFC would represent an important instrument for the allocation and coordination of investment *directly* by the state apparatus.

George F. Will, one of the few conservatives to attack Rohatyn's proposal, perceptively summarized its consequences: "What [Rohatyn] advocates is a decisive step away from private enterprise capitalism. . . . An economic system in which the government, using instruments vibrant and otherwise, targets major flows of capital is a system properly called state capitalism .... Such an economy is dominated by bureaucrats who direct capital outlays, and hence shape the economy, and hence determine the range of social choices, and hence shape the way people live."

Through an instrument such as the RFC, the fusion between state bureaucrats and "private" economic interests which has already occurred in areas such as banking, the "military-industrial complex" and the atomic energy industry would be gradually extended into other areas of the economic system. Rohatyn suggests in his article that one of the first areas in which the RFC might become "a catalyst of stimulation" would be in a Manhattan-type project for the accelerated development of alternative energy sources.

"The RFC represents a key indicator of the progress of the transition from 'political capitalism' to a fascist system."

Robert Caro's important new biography of Robert Moses, *The Power Broker,* includes an illuminating analysis of "authority capitalism," representing the fusion between the state and corporate interests that Moses actively promoted through a complex network of semi-"independent" authorities and commissions. Caro's analysis of this phenomenon is particularly important because of the growing indications that such forms of political/economic organization may serve as models on the national level. Certainly Rohatyn's RFC would represent an important step in this direction.

THE RFC AND COMPETITION

In addition to the RFC's strategic role as an instrument in the transition from "political capitalism" to fascism, the RFC is also crucially significant on another level. Political intervention in the market has traditionally been employed not only as a device for the centralization and rationalization of control over the economic system; it has also served as a highly useful form of "extra-economic" competition. Thus, both established economic interests and "newcomers" in the market who are unable to achieve their objectives within the framework of market competition have characteristically sought the intervention of the state on their behalf. As Gabriel Kolko and other historians have persuasively demonstrated,

foreign correspondent

INVESTMENT IN LATIN AMERICA: OVERESTIMATED RISK

Guatemala City. If someone were to ask you to invest your money in a Central or South American country, would you? With all the news about expropriations, increasingly restrictive regulations and the like, most would consider a Latin American investment a recklessly unattractive business venture.

Specifically, in Guatemala, judge from the following: *expropriation*—there is an agrarian law which authorizes the government to expropriate any "unused" or "unproductive" land; *regulation*—The Labor Code dictates that 90 percent of a company's workers must be Guatemalan (with a few legal exceptions).

And there are many more examples of investment-discouraging legislation. Guatemala, as well as most other Latin American countries, has a legal system based on the Napoleonic Code in which the only sources of law tend to be the statutes (as opposed to precedents). The courts interpret and apply them but have much less leeway than Anglo-Saxon courts in deciding cases.

In the light of so many legal deterents which are the focus of the news media, why are thousands of foreign businesses (mainly from the U.S.) entering the market in countries such as Guatemala? Are they risk lovers or just *dumb?* These are hardly likely theories but they do leave the question unanswered. What follows is an attempt at explaining this behavior.

Expropriation: Businessmen are in business to maximize the present value of their future income stream. In other words, a firm is worth today what it will earn in the future discounted by current interest rates. In the United States, where expropriation is unlikely, the present value of a business represents its discounted returns for many years. In a Latin American country, where expropriation is more imminent, higher future earnings will be required to get the same present value. How high these earnings will have to be depends on how long the entrepreneur expects to operate before he is intervened. The shorter the expected life of the investment, the higher the rate of return must be to induce the businessman to invest. The threat of expropriation reduces investment to a level below that which would be undertaken in a more certain atmosphere.

Regulation: Foreign investors are harassed by all sorts of regulations. Paperwork is lengthy and bureaucracy is demanding. A corporation takes months to be authorized and it will be forced to operate under many constraints such as having to use local raw materials and labor when otherwise cheaper or better factors of production would be used. This usually means higher prices for consumers.

Foreign entrepreneurs must also contend with local competition which often is not hampered by this discriminatory legislation.

I am quite sure, however, that even after stating the "higher rate of return" reason, most people would *still* consider the legislation too restrictive to make an investment worthwhile.

I contend that there is behind-the-scenes information which is not readily available to the average investor but which it pays the serious entrepreneur to discover. This is that the gap between nominal and enforced legislation is larger in Latin American countries than in the United States. Using the examples of the agrarian law and Labor Code, they are less likely to be effectively enforced in Guatemala than similar laws in the United States.

So, in practice, Guatemalan businessmen have more freedom of action than you would be led to believe just by looking at the *nominally* restricting laws or by comparing the situation with American laws and their *de facto* enforcement in the U.S. I believe this gap exists because the more restrictive the existing regulations, the more incentives they create for businessmen to offer bribes to government officials to relax their enforcement (to the detriment of respect for *all* laws).

Laws are restrictive *nominally* because that is what gets politicians into office by liberal minded voters. The laws are lax in their *enforcement* because, aside from typically inefficient bureaucracy, that is what makes money for bribe-accepting government officials. The politicians and bureaucrats have such a good deal going for them that I am not surprised that there is such a shameless scramble to get on the gravy train of public administration.

FERNANDO LINARES

LUCIFER'S LEXICON
by L. A. Rollins

patriot, n. One who loves his country enough that he is willing to die in order to make it a better place to live.

permissiveness, n. Freedom from the point of view of the paternalistic.

populace, n. The all-too-common people; the rank and vile.

President, n. The thief executive of a republic. In the U.S., the number one public enemy.

Presidium, n. In the U.S.S.R., "the executive committee of the ruling class."

prison, n. The institution where a criminal is sent in order to teach him the error of his *modus operandi.*

Secession, n. The Confederacy's declaration of Independence.

COMING NEXT MONTH

The doings of the CIA have been much in the news, and REASON's August issue investigates the subject in an exclusive interview with ex-CIA official Victor Marchetti, author of The CIA and the Cult of Intelligence. Marchetti's book was the first in U.S. history to be censored by the U.S. Government, raising important First Amendment issues. Exploring some of these issues as they apply to broadcasting is Edith Efron, author of The News Twisters, making her REASON debut. Rounding out the August issue's discussion of journalism is reporter Dennis Chase, who urges an alternative to "backgrounding" the news.

Also in the August issue is a review of Robert Kukla's Gun Control, Davis Keeler's Money column, David Brudnoy's Viewpoint, and all of REASON's regular columns and features.

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viewpoint

MURRAY N. ROTHBARD

THE DEATH OF A STATE

What has been happening so swiftly in Indochina can only be exhilarating to any libertarian: for what we have been seeing before our very eyes is nothing less than the death of a State—or rather two states, the Saigon regime in South Vietnam, and the Phnom Penh regime in Cambodia. The process by which these States have crumpled vindicates once again the insights of the theorists of mass guerrilla warfare, from libertarians such as Charles Lee in the late 18th century to the elaborations of modern Communist theoreticians such as Mao tse-Tung, Che Guevara, and, in Vietnam, General Vo Nguyen Giap. Namely, that, after a slow, patient protracted struggle, in which the guerrilla armies (backed by the populace) whittle and wear down the massively superior fire power of the State armies (generally backed by other, imperial governments), the final blow occurs in which the State dissolves and disintegrates with remarkable speed. It is of course true that in Vietnam and Cambodia, one State has been immediately displaced by another—not surprisingly, since the Communist-led insurgents are scarcely anarchists or libertarians. But States exist everywhere; there is nothing remarkable in *that.* What is inspiring to libertarians is to actually see the final and swift disintegration of a State.

As only the San Francisco columnist Arthur Hoppe has pointed out, this dissolution of States also confirms the insight of political theorists from Etienne de La Boetie to David Hume to Ludwig von Mises that, in the final analysis, *all* States, whether "democratic" or dictatorial, rest for their continued existence on the majority support of their subjects. Once that support is finally destroyed, the State—seemingly mighty and all-powerful only weeks before—disintegrates and dies. In the case of South Vietnam, the ARVN army was seemingly mighty and powerful—a million strong, equipped with literally billions of dollars worth of American arms, and aided over the years by hundreds of billions of dollars of American aid and support, and by a half-million man American army. None of this superior might and firepower could in the end prevail against the will and determination of the mass of Vietnamese (and Cambodians), bent against seemingly impossible odds to dislodge dictatorial governments which were the puppets and clients of Western imperialism (first of France, then the U.S.) In the end, the ARVN army simply laid down their arms and fled, ignoring the orders of their hierarchical chain of State commanders, from the President down to the non-coms. In the eyes of the ARVN soldiery, as well as of the masses, the South Vietnamese State was no longer credible, no longer believable. Therefore the rulers were ignored, and the State dissolved, as the once mighty and all-powerful rulers and heads of State became in a trice, panicky and powerless individuals forced to flee with millions in ill-gotten gains to the bosom of the "free world."

Another cause for libertarian rejoicing was the body blow that these events have delivered to U.S. imperialism, and to the notion that the United States has the moral duty, and the permanent power, to install, prop up, and rule governments and peoples throughout the world. We are being forced into a policy of "neo-isolationism," unfortunately not through the adoption of moral principle, but through the concrete realization that imperialism is no longer realistically viable.

Unfortunately and pathetically, the Ford-Kissinger Administration, backed by the American conservative movement, proved down to the very last moment that, like the Bourbons of the past, they have learned nothing and forgotten nothing. As the results of their own disastrous policies crumbled around their ears, all they could do was to repeat, once more, the tired old hack fallacies of the past: the call for "one more chance" at massive foreign aid—$722 million to follow over $1 billion of abandoned arms down the Vietnamese rathole; to denounce "neo-isolationism"; to call once more for the American "responsibility" to "spread freedom throughout the world" (the Thieu and Lon Nol statist dictatorships being prime examples of "freedom"); to howl about a forthcoming "bloodbath" (*this* from a government that murdered millions of innocent Vietnamese peasants, conducted the greatest bombing offensive in world history, and led over 50,000 drafted American soldiers to their deaths!) and to cook up a fraudulent "stab-in-the-back myth" to pin the blame for the Indochinese collapse not on themselves but on the antiwar movement and the Democratic Congress. And so on and on. But this time none of it worked. The American people were sick and tired of our long and losing intervention in Vietnam, and the Ford Administration could only ring the last futile changes on the old malarkey while their policy became a total shambles.

It was, in fact, the American policy of imperialism—the Truman-Eisenhower-Kennedy-Johnson-Nixon-Ford policy—that was responsible for pushing Indochina into the arms of Communism. By bolstering and then replacing French imperialism; by propping up unpopular and corrupt dictatorial regimes in the name of "freedom"; by suppressing peasant property and returning it to the imperially-created feudal landlords; by systematically extirpating neutralist forces; by making anything American hated throughout Indo-China, the U.S. imperialists only succeeded, at the end, in polarizing Indo-China in such a way as to make a Communist triumph inevitable. The height of the absurdity was the *hubris* of the Pentagon in inducing the ARVN to seize Communist-held territory under cover of the Paris agreements, and then to allow General "Big" Minh to come in and replace Thieu only at the literal last moment—after the U.S. itself had ousted Minh from power a decade ago as being insufficiently hawkish against the Communists! At the end, Big Minh was only in power long enough to order a surrender.

Only in Laos did the United States permit a neutralist-coalition regime to take hold, and even there it did this so late in the day as to probably insure an ultimate failure and a slipping into Communist control. In Cambodia, it was precisely the idiotic CIA-directed right-wing coup against the popular neutralist Prince Norodom Sihanouk that has now led to the Communist regime there. A return to an isolationist foreign policy is not merely the only moral as well as realistic policy for the United States; it is probably the only one that might have a chance of avoiding an eventual Communist triumph

throughout the Third World. But if we don't learn this lesson, and if we allow ourselves to fall for a stab-in-the-back myth, we will only insure the long-run triumph of Communism in the Third World, after an enormous expenditure of American lives and treasure, and after a gigantic bloodbath of innocent people in all the countries that we are supposedly trying to "save." ◻

Murray Rothbard is professor of economics at the Polytechnic Institute of New York. Dr. Rothbard's viewpoint appears in this column every third month, alternating with the viewpoints of Tibor Machan and David Brudnoy.

AIRLINE DEREGULATION

Long recognized by economists as the enforcer of an airline cartel, the Civil Aeronautics Board (CAB) is now in a fight for its political life. In addition to the usual contingent of free market economists, its opponents now include Ralph Nader (who thinks the agency should be abolished altogether), Sen. Edward Kennedy (who has become an advocate of deregulation), the Departments of Transportation and Justice, the Federal Trade Commission, and the White House. All point out what libertarian economists have been saying for many years: that cartelization of the airline industry results in high fares and poor service, a situation of benefit only to the bureaucrats and the protected airlines. (Even some of the airlines disagree with present CAB policies: small, aggressive Continental has requested the CAB to "stop trying to save the carriers from themselves and let free enterprise and competition operate to a greater degree.")

Realizing that its bureaucratic back is to the wall, the CAB has responded with a rapid-fire series of changes:

- In February it hastily withdrew its previously announced plan to set a minimum floor price for air charters, in the face of criticism from Congress, the Justice Dept., and operators of air-travel tours, and a Federal appeals court stay order.
- Also in February, the agency ended its five-year moratorium on awarding new routes, while denying that it had ever had such a policy. This move was in response to a strong attack on the policy as illegal, by Sen. Kennedy.
- In March the Board approved the new 35 percent-off "No-Frills" fare proposed by National Airlines, and the subsequent similar discount fares of Eastern, Delta, and Continental--despite strong criticism from advocates of the status quo such as *Business Week*.
- In April, the Board took under advisement an even more radical proposal: the application by World Airlines for permission to provide coast-to-coast scheduled service for an unheard-of coach fare of $89, *including* meals and beverage service (versus the current fare of $189). Far more than just a low-fare proposal, World's application represents a bid to gain entry as a certificated carrier into the membership of the trunkline cartel.

But the CAB's fancy footwork has not deterred the Administration from preparing a legislative package that would introduce substantial amounts of deregulation. Among the concepts being planned for inclusion in the bill are *free entry* of new airlines into the air transport system, and *price competition* to allow market forces to dictate air fares, rather than the CAB. Other elements being considered include a prohibition on "capacity reduction agreements," modifying or eliminating the airlines' antitrust immunity, allowing an airline to exit from a route if it is not recovering its costs, and amending the Air Commerce Act to force the CAB to "promote competition" rather than "foster sound economic conditions" in the airline industry.

Many airline managements are aghast at these proposals, given the companies' lack of experience in competing. Robert Oppenlander sees free entry and exit as leading to "the destruction of the nation's air transportation system." *Aviation Week* reports that airlines are "flabbergasted" at the thought of free entry and price competition. The weeks and months ahead are likely to see much more of this hysterical rhetoric, as the cartel members and the CAB fight to retain their special privileges. Hopefully, by now the advocates of deregulation are strong enough to overcome such special pleading. The fight to reform the CAB is an acid test of whether meaningful change towards laissez-faire can be accomplished within the system.

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REDUCING SCHOOL COMPULSION

One of organized labor's early political triumphs was the passage of laws to prevent young people from competing with union members: child labor laws and compulsory school attendance laws. These laws have long been among the most hallowed of sacred cows—anyone proposing their repeal was castigated as a heartless beast. But the past decade has seen a new appreciation of the harm done to many children by compulsory attendance, especially past junior high school, when many would be happier and better off learning a trade. To the humane voices of education critics like John Holt and Ivan Illich has now been added that of U.S. Commissioner of Education Terrel H. Bell.

In a speech in March, Bell attacked the present practice of forcing teenagers to remain in school: "Since many young people are more attracted to the seeming freedom of work than they are to school during adolescence, it would seem right to give them the opportunity to work, with the expectation that they will return to school as the spirit and their needs move them." Bell advocated the concept of "life-time learning and recurrent education," whereby people obtain education when and as they need it. He urged that society deemphasize official credentials such as high school diplomas, in favor of demonstrated competence, and added, "If we remove the bureaucratic barriers to our education institutions, I think we will see some truly creative self-education taking place."

Bell is not alone in his views. Lowering the compulsory school attendance age has recently become a hot topic in New Mexico and California. In the former state, the House passed by a 40-23 margin a bill to end compulsory education at grade 9, and action is pending in the State Senate. The bill's sponsor contended that compulsory *education* was not taking place anyway, since so many students were merely marking time until they turned 17 and could quit school; many legislators of both parties agreed. In California the Reform of Intermediate and Secondary Education Commission came close to endorsing a change in the compulsory school attendance age from 18 to 14. The measure had been supported by a majority of the group's members until the time of the

vote on final recommendations, at which point it was replaced by a proposal to allow "furloughs" for those who want to leave school for a limited period of time. Both the original age-change proposal, and a companion measure to eliminate teacher tenure, received widespread publicity and a backlash from those favoring the status quo, whose influence led to them being dropped from the final recommendations. The fact that the proposals were seriously considered is a possible indication of things to come.

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LICENSING UNDER ATTACK

One of the worst frauds perpetrated upon the consuming public is the well-ingrained belief that occupational licensing is necessary to protect the public. As Milton Friedman pointed out years ago in *Capitalism and Freedom,* government licensing is simply a means by which an occupational group uses the power of the state to restrict entry and limit competition, thereby deriving higher prices for its members' services. Among the groups benefitting from this type of cozy arrangement are midwives (licensed in 23 states), exterminators (19 states), well diggers (13 states), excess-hair removers (Connecticut), lightning rod sellers (New Hampshire), tattoo artists (Hawaii) and horseshoers (Illinois). Every state has at least 10 such boards and some have as many as 40.

But the days of unquestioned acceptance of licensing are over. Federal Trade Commission Chairman Lewis A. Engman has added occupational licensing to his list of anticompetitive, anticonsumer government practices to be reformed. Engman cites an FTC study of TV repair licensing, comparing Louisiana (which has mandatory licensing), California (which requires mere registration, without restriction on the number of people registered), and the District of Columbia (which has no controls at all). The study showed that there was less TV repair fraud in California, but no difference at all between Louisiana and D.C. But prices in Louisiana, with its restricted supply, were 20 percent higher than in the other two areas.

Among those joining the expose of licensing is syndicated columnist Jack Anderson, who recently detailed case after case of cooperation between "professional" groups and state licensing boards to freeze out potential competitors: general contractors and physicians in Florida, optometrists in Alabama, accountants in Arizona, lawyers in Virginia and California. In each case, those who would provide new services, or charge less for existing services, or advertise are found guilty of violating "professional ethics" and prevented *by law* from practicing.

Change is on the way, however. The DuPage County Medical Society, in the Chicago suburbs, recently decided to allow new doctors to advertise in newspapers that they are opening an office. The Illinois State Medical Society is considering publishing consumer directories listing doctors' names, addresses, hours, specialties, education, and special information (whether the doctor takes Medicare patients, gives immunity shots, or speaks Spanish). The Los Angeles County Medical Society, however, recently reaffirmed its opposition to such practices as unethical.

A similar directory in the legal field was planned by Consumers Union in Virginia. The proposed directory was to include lawyers' names, addresses, qualifications, specialties, and fee practices. Lawyers responding to CU's questionnaire, however, were advised that providing this type of information violated professional ethics and subjected them to disbarment. As a result, CU has filed suit against the Virginia State Bar, the American Bar Asso-

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ciation, and the Virginia Supreme Court, charging that their rules prohibiting publication of fee information violate the 1st and 14th Amendment rights of consumers. The suit asks the court to declare the rule unconstitutional and to issue a permanent injunction against its enforcement by the bar associations. CU acknowledges that publication of the directory was intended to promote price competition and to help consumers shop for a lawyer, as they shop for other services.

What is at issue in this case, as with licensing of "professionals" generally, is the notion that somehow lawyers are not really engaged in business, but are a class apart. Fairfax (VA) County lawyer Lewis T. Booker claims that the legal profession "performs a service and is not a mere money-making operation." This kind of sophistry ill suits a profession concerned about its credibility in the wake of Watergate, and is unlikely to be persuasive to the Supreme Court. The Court is currently deliberating the issue of whether lawyers' price-fixing (called "minimum fee schedules") is really price-fixing. If it is, it will be subject to the antitrust laws and ruled illegal. Advocates of liberty would not wish the antitrust laws on anyone, but cannot fail to note the beneficial effects of ending the legal profession's collusion with the state to protect its members from competition. If the Supreme Court rules against the profession, the way will be cleared to challenge the state-enforced bans on advertising and competitive bidding of doctors, engineers, and accountants, as well as lawyers.

SOURCES:
- "Some State Trade Laws Hurt the Public," Carole Shifrin, *Pittsburgh Press,* Jan. 3, 1975.
- "How State Laws Rip You Off," Jack Anderson, *Parade,* Apr. 6, 1975.
- "New Physicians Allowed to Advertise," *Chicago Daily News,* Apr. 4, 1975.
- "Consumers Union Files Suit Challenging ABA Rules Against Advertising Attorney Fees," *Antitrust and Trade Regulation Report,* Mar. 4, 1975.
- "Bork Maintains Law Fee-Setting Is Price-Fixing," Linda Mathews, *Los Angeles Times,* Mar. 26, 1975.

COMPETITION IN BANKING

In 1971 the President's Commission on Financial Structure and Regulation (known as the Hunt Commission after chairman Reed Hunt) proposed a sweeping reform of banking legislation, aimed at increasing competition among commercial banks, mutual savings banks, and savings and loans (S&L's). The response to these proposals was underwhelming; the Nixon Administration submitted implementing legislation in 1972, but representatives of various vested interests which felt threatened by increased competition succeeded in keeping it bottled up in committee, where it has languished for several years.

This year, however, spurred on by the current recession, the Treasury Department is making a major push for the legislation. Among its significant features:
- Repeal of "Regulation Q" which limits the interest payable on savings accounts and time deposits of small depositors.
- Allowing S&L's to make consumer and construction loans in all states, and to offer interest-paying checking accounts.
- Allowing mutual savings banks to offer a full range of construction loans in all states, and allowing them the option of obtaining a Federal, as opposed to state, charter.

The reforms would thereby eliminate most of the current regulations which prohibit the different types of institutions from competing, on the premise that increased competition would benefit consumers more than any kind of government allocation of credit.

Lending support to these proposals is Jeffrey M. Bucher, one of seven members of the Board of Governors of the Federal Reserve System. Speaking in Los Angeles earlier this year, Bucher supported the Hunt Commission reforms, especially repeal of Regulation Q. Bucher argues forcefully for "removal of each and every impediment to the free formation of prices and interest rates." Consequently, he also favors repeal of all state usury laws. Bucher thinks a good share of the blame for the current economic situation is that "Our normal system of competition was turned off for two and a half years in favor of a scheme of wage and price controls . . . . What is needed is a gradual but steady transition toward a free economy." Bucher strongly opposes any role for the Fed in monitoring bank loans or otherwise forcibly allocating credit, saying that the result of such a policy would be "a complete dictatorship of money." Nothing is as efficient and as equitable as our free enterprise system, Bucher maintains.

SOURCES:
- "Taking the Lid Off Savings," *Business Week,* Feb. 24, 1975, p. 36.
- "Bucher Would End Interest Ceilings," John Getze, *Los Angeles Times,* Jan. 7, 1975.

BUREAUCRATIC HERO

The Council on Wage and Price Stability shows signs of turning into an ally of those who would prevent further growth of Federal controls, and support a return to the free market. Three recent COWPS actions typify the small agency's encouraging outlook:
- *Airbags:* When the National Highway Transportation Safety Agency tried to nail down an Aug. 31, 1976 deadline for compulsory installation of airbag passive restraint systems on all new cars, COWPS instead urged an extensive testing program to establish the costs versus benefits of the program (which it is estimated would add $260 to the cost of each new car). COWPS' action will further strengthen growing Congressional opposition to the airbag and other costly Federal auto safety requirements.
- *OSHA:* This rapidly growing agency has been interfering in the operation of companies across the country in the name of industrial safety. A recent government policy requires the preparation of "economic impact statements" on significant bureaucratic rulings, so that Congress can assess whether the benefits are worth the costs imposed on taxpayers and businesses. OSHA is attempting to gain exemption from this requirement for its job-safety rulings—precisely the kind of action most in need of cost-benefit review—but COWPS is strongly opposing any such exemption.
- *Airlines:* COWPS has urged the Civil Aeronautics Board to approve the application of World Airways for permission to institute a new low-cost scheduled transcontinental service (see previous story). COWPS says the airline has "presented a convincing case" for its proposal.

SOURCES:
- "Another Deflation for the Air Bag," *Business Week,* Apr. 28, 1975, p. 24.
- "National Notes," *Ibid.,* p. 32.
- "Shortlines," *Aviation Week,* Apr. 21, 1975, p. 35.

MILESTONES

- *Privacy.* President Ford has signed into law the Privacy Act of 1974, a new law which restricts the operation of government data banks—Federal, state, and local. The new law was passed unanimously by the House and by 77-8 in the Senate. It allows individuals to have access to their files and to obtain copies and correct inaccuracies by mail. The Federal Government is required to publish annually a complete listing of all Federal data files. Of particular interest to libertarians, the law prohibits all levels of government from withholding any right, benefit, or privilege from a person who refuses to disclose his or her Social Security number. It also prohibits Federal agencies from renting or selling mailing lists based on names in its data banks. The law does make exceptions to its provisions for law enforcement records and certain military and civil service records. Nonetheless, it's an important step forward in the struggle to prevent the world of *1984* from coming into being. (Source: "Ford Signs Compromise Privacy Bill," *Computer Decisions,* Feb. 1975, p. 8.)

This column reports trends in the advancement of individual liberty and the rediscovery of economic freedom. Readers are invited to submit material of potential interest.

book review

UNDERSTANDING THE DOLLAR CRISIS. By Percy L. Greaves, Jr. Belmont, Mass: Western Islands, 1973. 302 pp. $7.00.

Reviewed by BRIAN SUMMERS

Inflation runs rampant through most of the world. Numerous books are being published on the subject. Professional tipsters are offering pet schemes for hedging against inflation and avoiding personal disaster. Yet most of these "how-to-do-it" tipsters furnish little help in *understanding* the dollar crisis. And it is this lack of *understanding* that lies at the root of the problem.

Politicians heatedly discuss and deplore the precarious state of the dollar. But, for lack of understanding, they fail to propose realistic solutions. In the first place, they define "inflation" incorrectly. "Inflation" is correctly defined as an increase in the quantity of money. But almost everyone today defines "inflation" as one of the consequences of an increased quantity of money—higher prices. Secondly, many people believe that an increase in the quantity of money is actually desirable—even necessary—to produce and maintain prosperity. Thus, in one breath, politicians condemn inflation, and in the second breath they advocate it. One result of their first error—having their eyes on the consequence rather than the cause—is an attempt to hold down prices through "jawboning" and/or imposing controls. At the same time, their second error leads them to advocate further inflation, i.e., additional increases in the quantity of money, which only results in still higher prices.

The only hope for an end to inflation is an increase in economic understanding. Short run panaceas may permit a few indificuals to save some of their personal wealth for a limited time. But to preserve social cooperation, the market, and modern civilization, people in general—taxpayers, voters, workers, savers, *all*—must come to realize that the government itself is to be blamed for inflation. And such a realization can only come from a comprehension of economic principles.

These principles are set forth by the "Austrian School of Economics," so named because of its founding in Austria in the latter third of the 19th century. "Austrian" economists base their science, not on statistics and mathematics, but on the study of human action itself. For more than half a century Ludwig von Mises was the leading spokesman of the Austrian School. We are fortunate now to have available, in *Understanding the Dollar Crisis*, an excellent summary of Professor Mises' most important teachings, especially as they relate to money.

Professor Greaves, for more than 20 years a devoted student of Dr. Mises, begins with fundamental assumptions, goes on to explain the principles of elementary economics, and concludes by applying these principles to the current monetary crisis. The entire approach is straightforward, with each point being firmly established before it, in turn, is built upon.

The book consists of seven lectures delivered in Argentina in June 1969. The first five lectures are theoretical in nature. They assume no prior knowledge of economics and fully prepare the reader for the remaining two lectures dealing with 20th century monetary policy.

The theory section is an excellent introduction to Austrian economics. With a constant eye on how *individuals* act in given circumstances, Professor Greaves demonstrates that people choose those actions that they think will better their situations from their points of view. In particular, people act according to their subjective valuations. The subjective theory of value, explained in 1871 by Carl Menger, founder of the Austrian School, is a cornerstone of modern free market economics. It also, significantly, gives the lie to the labor theory of value that forms the basis of Marxist economic doctrine.

From the subjective theory of value, the author proceeds to the inevitable conclusion: an individual engages in a transaction only when he places a higher value on what he receives than what he gives up. In free trade, *both* parties are winners.

MONEY AND PRICES

The third lecture, "How Prices Are Determined," merits particularly careful study. In this era of economic controls, it is important that people understand how prices are determined in an unhampered market. Free market pricing tends to maximize human satisfaction, make the most efficient use of scarce resources, and ensure that there will be no lengthy shortages of surpluses.

Having established how free market prices are determined, the author turns his attention to the price of labor, namely, wages. In "The Effect of Wage Rate Interventions" he demonstrates that the only way to raise the real wages of all workers is through capital investment. Government interventions in the wage market can only raise the wages of some workers at the expense of others. In particular, minimum wage laws and union monopoly privileges, by raising some wage rates above free market rates, inevitably result in a surplus of workers, i.e., unemployment.

In the fifth lecture, "The Theory of Money," Professor Greaves presents the Miseasean quantity theory of money. Contemporary economic conditions render this lecture particularly important, for it explains in simple terms what our present inflation *is:* a government expansion of the quantity of money. Such an expansion, Mises shows, produces an *uneven* rise in wages and prices. Inflation is thus a system of redistribution of wealth, with those whose incomes stay ahead of spiraling living costs benefitting at the expense of those whose earnings lag behind, particularly those who live on fixed incomes.

In the last two lectures, the author applies economic principles to economic history. In "The Cause of the 1929 Depression," he chronicles the political manipulations of money and credit that made the crash inevitable. Particularly noteworthy is his documentation of secret deals with foreign powers and election year "pump-priming." So revealing is this documentation that it is difficult to finish the lecture without an apprehension of politically controlled money and banking.

This apprehension is strengthened in the concluding lecture, "The Evolution of the Present Monetary Crisis." Rather than realizing that political intervention had caused the 1929 debacle, politicians looked to further interventions as a cure. These interventions, and their dire consequences, continue to this day. At the rate we are going, the dollar soon will not be worth the paper it is printed on. One wonders what the future will hold.

As Professor Greaves so ably shows, economics is not a matter of opinion and not a matter of good or bad intentions. It is, rather, a science. The immutable laws of human action were not *invented* by Percy L. Greaves, his great predecessors, or anyone else. They are, rather, the *discoveries* of men and women dedicated to the search for truth. When we live in accordance with these laws, we prosper. When, either through ignorance or arrogance, we violate these laws, economic ruin is the

inevitable result. It is thus in the interest of every intelligent individual to understand, as best he can, the laws of human action. This book, written in the language of the average American, is an excellent place to begin, refine, and extend such an understanding.

Thus, the lessons of economic theory and history come through loud and clear. As the author explains, hedging against inflation is at best a short-term solution. The future of every one of us, even of civilization itself, depends on economic understanding and respect for individual rights and property. For as Percy Greaves points out:

> "So if you find a way to profit from this inflation, or even to save what wealth you have, you can be sure you will be considered a public enemy by all the suffering people around you. If you have wealth while those around you are starving, your life will not be worth much. It will not be worth any more than the lives of the Jews in Germany during the final days of Hitler." ◻

Mr. Summers is a member of the staff of the Foundation for Economic Education, Irvington-on-Hudson, New York.

A COLLECTION OF ESSAYS. By George Orwell. New York: Harcourt Brace Jovanovich, 1970. 316 pp. $1.65 paperback.

Reviewed by BRUCE RAMSEY

Even though George Orwell's *1984* has seemingly been ignored by many libertarians, and shunted aside in favor of lesser works such as Levin's *This Perfect Day*, and Rand's *Anthem*, most readers are probably familiar with it. Unfortunately, most readers' experience of Orwell begins and ends with *1984*, and perhaps *Animal Farm*, although almost all of the ideas dramatized in *1984* he presented in greater detail in his nonfiction essays. The best of these are included in the present volume, *A Collection of Essays*.

The gem of this varied collection is "Politics and the English Language." It deals with what Thomas Szasz calls "semanticide": the murder of language (a subject later explored in *1984* through the invention of Newspeak). Orwell's theme is twofold: first, that political language has been corrupted by insincerity; and second, that the debasement is aided by honest writers who adopt corrupted language by default. In either case, one's meaning is blurred. Whether the fog is produced through ignorance or conscious deception, the result is a similar fog inside the reader's head.

Orwell begins his essay by mercilessly dissecting five specimens of bad political writing, pointing out various symptoms of the disease: dying metaphors, pretentious diction, and meaningless words. The "disease" itself stems from a failure to *think* clearly and precisely:

> This is the significance of mixed metaphors. The sole aim of a metaphor is to call up a visual image. When these images clash—as in *The Fascist octopus has sung its swan song; The jackboot is thrown into the melting pot*—it can be taken as certain that the writer is not seeing a mental image of the objects he is naming; in other words, he is not really thinking.

Thus, instead of visualizing an idea and then constructing a sentence from scratch to express that idea, a writer will throw ready-made hunks of sentences together like prefabricated sections of a housing project, with equally inspiring results. At its worst, this transforms verbal communication into a mere spewing of overworked jargon and memorized phrases, like the disembodied fulminations of campus Trotskyists and streetcorner Jesus Freaks. In various degrees it infests nearly all current attempts at serious communication. The result is hardly inconsequential: corruption of language blunts the cutting edge of critical thought in favor of timid orthodoxy, a process necessary to both totalitarian ideology and religious dogma. As Orwell reminds us in *1984*, to control language is to control people's *thoughts*—and ultimately to control people themselves.

Orwell doesn't attempt to give his own definitions to words such as freedom, justice, and democracy, since this would be diverting himself from the task at hand down the murky corridors of ideology. He is content to point out that such words have become almost meaningless, and to use them without defining in what sense they are being used is, at best, to foist that murkiness upon the reader; at worst it is to commit outright fraud. His message is clear: say it simply, and say it straight—and *think* before you express yourself. Libertarian readers—and particularly writers—could profit by Orwell's advice, not only in analyzing the communications of others, but in improving and perfecting their own.

LITERARY HONESTY

Also of special interest is "The Prevention of Literature" (1946). Starting from the idea that literature is the author's personal statement about some aspect of life derived from his own experience, Orwell analyzes the effect of totalitarianism on literature. The key concept is *honesty:* The work must be an honest statement of what the author thinks and feels, or it is worthless. Yet it is impossible for a serious writer to be honest under totalitarian rule, because he is forced to falsify or suppress "incorrect" emotions and unpleasant facts if he wants to see his work published—or stay out of a concentration camp. Facts become silly putty in the hands of the ruling elite and their band of kept writers (whether at home or abroad), who follow the Orwellian maxim, "Whoever controls the past controls the future, and whoever controls the present controls the past" (*1984*). The writer is thus forced to parrot a *constantly changing* official line, and pay no heed to the "outmoded" concept of objective truth. Writers who accept this role as literary myna birds will find their creative faculties drying up; their imaginations, desiccated by the stale air of orthodoxy, will produce little of literary value.

Orwell returned to this theme many times, partly because he saw contradictions in his own ideology: democratic socialism. His conception of socialism was that the state would take charge of economic life, setting people free from poverty and unemployment, leaving the individual's intellectual life alone. But where the state had nationalized the factories, it had nationalized the intellectual life as well. To be an orthodox socialist was to ignore this—and become a dishonest writer.

The contradictions of the "official" leftist ideology *circa* 1948 and the various leftist ideological flip-flops since 1917 are summarized in the essay "Writers and Leviathan." Here Orwell broadens his claim that subservience to totalitarian ideology places the writer in an untenable position, including in his analysis subservience to *all* conventional doctrines: "To accept an orthodoxy is always to inherit unresolved contradictions." Yet with vital political conflicts raging over the surface of the globe, Orwell saw no wisdom in dropping out of politics for the sake of literary autonomy. In certain situations, he argued, it is of vital practical importance to commit oneself to a lesser of two evils —the Spanish Loyalists in 1937, for example, or the Allied governments in World War II—but if you must compromise yourself, do it as a common individual, *not as a writer*. Fight in the trenches for a dubious cause to put down a horrifying one; manufacture guns, tanks, and airplanes—but not lies. Dirty your hands, but keep your vision—and your writing—clean.

At first glance, many of the essays in this collection seem to deal with literature or

popular culture rather than politics (e.g., "Charles Dickens" or "Boys' Weeklies"), but it is usually the political relevance of the subject that Orwell focuses on. Politics is the thread that ties together practically all of Orwell's work. In "Why I Write," he states: "Every line of serious work I have written since 1936 [when he fought against Franco in Spain] has been written, directly or indirectly, *against* totalitarianism and *for* democratic Socialism, as I understand it." Some of the essays are straight political writing, such as "Antisemitism in Britain" and "Notes on Nationalism." Most of them, however, mix politics with analysis of literature or popular culture, as in "Arthur Koestler," "Wells, Hitler, and the World State," and "Politics vs. Literature: an Examination of *Gulliver's Travels.*" Five of the essays are mainly accounts of personal experience, yet each has a political application: "Marrakech" and "Shooting an Elephant," for example, are both indictments of imperialism, and politics is never far below the surface in "Looking Back on the Spanish War." Indeed, it is for his two political novels that Orwell is best known; it would be no surprise if the reader finds his overtly political pieces the most interesting.

Even though Orwell remained a socialist until his death in 1950, his criticism is mainly directed at his fellow leftists, confronting armchair theorizers with the disturbing facts of reality. His emphasis of the political relevance of popular culture and straightforward language should be of special interest to libertarians interested in spreading their ideas more effectively, and his warnings against ideological orthodoxy on the left should keep libertarians on guard against the same error. Some readers will no doubt quibble with this last, as surely *their* ideology isn't contradicted by the facts—or is it? Is a moralizing isolationism really practical in a world of international price conspiracies and superstates armed to the teeth with H-bombs? Will the amusing schemes of the libertarian anarchists really *work,* or are they seeing human nature through an ideological screen? It is these sorts of questions that one thinks of after reading Orwell. If "doublethink" can apply to socialists, it can apply to us, too.

(Note: All of the pieces in *A Collection of Essays* are also contained in the vastly more comprehensive *Collected Essays, Journalism & Letters of George Orwell,* Sonia Orwell and Ian Angus, eds., published in four volumes by Harcourt, Brace & World, 1968.) ◻

Bruce Ramsey is a graduate of the University of Washington Business School and is currently doing graduate work in journalism at the University of California at Berkeley.

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movies

• **THE REINCARNATION OF PETER PROUD,** directed by J. Lee Thompson, is a splendid little mystery from American International that is only incidentally about reincarnation. Michael Sarrazin is a young California professor troubled by what at first appear to be recurring dreams centering around a young man and woman in a small New England city. These "dreams" turn out to be memories of an earlier life that came to a sudden and violent end. Obsessed by his past, Sarrazin sets out to find the city that haunts his memory and discover who he was and why he died as he did. The result is a deftly made, if somewhat conventional, thriller whose success is largely attributable to Sarrazin's fine, sensitive performance. The film is not without its flaws, convulsing at times in fits of bad acting and dimestore novel dialogue that generally come together in Cornelia Sharpe, a lovely young actress whose talent for delivering a bad line is a constant earsore. Fortunately, she deserts Sarrazin early in his quest, leaving the screen to better actresses. The film's biggest surprise is certainly Margot Kidder, who manages a very skillful and convincing performance as both the young girl in Sarrazin's past life and Jennifer O'Neill's mother. Even Miss O'Neill does a refreshingly competent job in what may be her perfect role: she appears late in the film, has relatively little to say and is required for the most part to do what she does best—simply look beautiful. And for her, it is almost enough. Rated "R."—**James F. Carey**

• Considering that it's basically a low-budget action movie, **DEATH RACE 2000** has some pertinent things to say. Set in the not-too-distant future, the film centers around a transcontinental auto race, in which the object is to kill as many bystanders as possible en route. The race is sponsored by the government of the United Provinces of America, which has become a fascist dictatorship following the economic collapse of 1979. There is quite a bit of violence in the movie, but it is not overly exploited. Stunt work and technical achievements are impressive. The only jarring note is the dialogue, which resembles vintage roller derby. David Carradine gives a chilling performance as Frankenstein, the popular favorite, who is single-mindedly intent on winning the race because "it's the only standard of excellence left." Simone Griffeth looks much better than she acts in her role as Carradine's navigator, who is secretly allied with a group of rebels bent on sabotoging the race and overthrowing the government. Touches of pertinent humor are sprinkled throughout the movie. The leader of the revolutionaries is an impressive old woman named Thomasina Paine. At one point, she pre-empts television coverage of the race to denounce the government (shades of *Atlas Shrugged).* The dictator, known only as Mr. President, refuses to even acknowledge the existence of the rebels, and blames the country's economic woes and everything else on evil plotting by "our sworn enemy, France." The political humor (and foresight?) is more sophisticated than the movie as a whole, but it goes to show what can be accomplished with a little money and a lot of imagination. Rated "R."—**Charles F. Barr**

A racer prepares to finish off one of his victims in Death Race 2000.

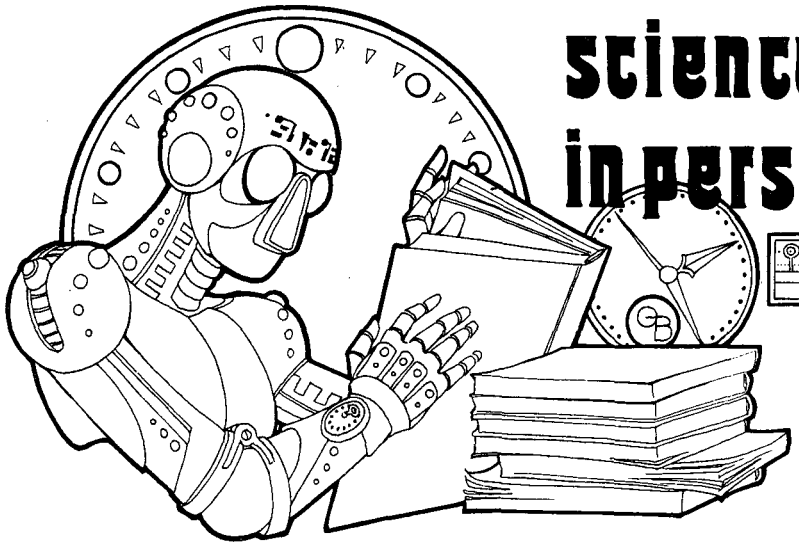
• **THE OTHER SIDE OF THE MOUNTAIN** is a movie full of good intentions gone awry. The film is based on a true story about a young woman skier whose spectacular career is cut short by a near-fatal accident which leaves her virtually paralyzed from the neck down. She is determined to make something of her life despite her handicap, and eventually succeeds in becoming a teacher on an Indian reservation. But the emphasis of the film is not on her struggle or her ultimate success; the emphasis is on suffering. Long, drawn-out, cheerless hospital scenes, rivaling those in *The Exorcist* for clinical detail, quickly drain the emotions of the audience. And if that isn't enough, director Larry Peerce belabors the point with prolonged close-ups of the protagonists crying. Marilyn Hassett performs well in the narrow confines of her role as the hapless skier. A measure of relief is provided by Beau Bridges as her daredevil boy friend, who attempts with some success to dispel her misery with wild stunts. The early ski scenes are absorbing and exciting, in marked contrast to the rest of the movie. David Seltzer's script skirts the edge of soap opera—strong in dialogue but weak in plot development—stopping periodically to allow time for a good cry. *The Other Side of the Mountain* is an unfortunate reminder that pain and suffering, even in the context of a true story, can become an artistic self-indulgence. Rated "PG."—**C.F.B.**

COMMON CAUSE

In the Hospers and Rothbard debate,
Both argue for liberty's fate.
While they do disagree,
It is just in degree,
On the ideal size of the State.

Says Murray, the anarchist hero,
"We both hate such tyrants as Nero.
And, John, I'm with you;
I'm for 'limited' too,
Provided the limit is zero."

Joseph J. Curran



science fiction in perspective

JOHN J PIERCE

John Pierce's Science Fiction column alternates monthly in REASON *with Davis Keeler's Money column.*

WAR IS HELL

People sometimes get tired of fighting wars, but they never seem to get tired of reading about them—even in science fiction.

One of the mysteries of the late 19th century was the mass appeal of novels by such writers as George Griffith and William LeQueux and Capitaine Danrit in which European civilization was devastated from the air, sea and even underground in future wars.

Can the lives of Victorian readers have been either so dull or so painful that even visions of mass destruction could be viewed as "escape" literature? Whatever the reason, World War I put an end to the glorification of world war—at least, the sort that assumed "our" side (depending on the native country of the author) was sure to emerge victorious.

But future war remained a strong theme in science fiction, and some of it was quite prophetic. Air power was decisive in Griffith's *The Angel of the Revolution* (1893), while H. G. Wells had the atomic bomb in *The World Set Free* (1914). Yet Philip Francis Nowlan foresaw the uselessness of air power against advanced methods of guerrilla warfare in "Armageddon 2419 AD" (1928) and "The Airlords of Han" (1929)—long before Vietnam (and ironically, too; for Nowlan, a thoroughgoing racist, had American guerrillas overcoming Oriental conquerors).

Since the atomic bomb has become a reality instead of a prophecy, future war novels set on Earth have become basically warning novels—*On the Beach, Triumph,* and the like. And apparently people have gotten the message—nobody is eager for a world war any more, even the politicians (not that they care about morality, but they *do* care about saving their own necks).

That hasn't stopped the science fiction writers, of course. In fact, long before Hiroshima, they had tired of Earthly wars—in space opera, they could imagine something on a far grander scale.

E. E. SMITH

Edward E. Smith was the great pioneer in this field. He was the inventor of modern space opera in 1928 with *The Skylark of Space,* and with the *Lensman* series (1937-45) he virtually exhausted its possibilities.

Smith's novels typically featured titanic battles between fleets of thousands of spaceships, armed with both guided missiles (only they were called "dirigible torpedoes" in those days) and lasers (but they had a different name too). Even mobile planets figured as weapons, and one decisive battle ended with the conversion of an enemy sun into a supernova.

Space opera has become such a part of popular culture that the people who sell war games have special sets for "space war." And Smith's influence is as widespread as Germany (whence comes the interminable *Perry Rhodan* series) and even the Soviet Union, where a galactic war figures in Sergei Snegov's *Men Like Gods* (1966-7)

Of course, the kind of war Smith imagined is probably absurd—economically, if not technologically (John W. Campbell Jr. tried to be more "realistic" than Smith in his space operas—the conflicts in *The Mightiest Machine* (1935), for example, involve only a few dozen spaceships!).

But some elements of it have nevertheless survived in more realistic science fiction—for example, the battle between a lunar fortress and a formation of spaceships in Arthur C. Clarke's *Earthlight* (1955).

H. Beam Piper had some real feel for what an interstellar war might be like in *Space Viking* (1963), where *finding* the enemy in the vastness of space is as much a problem as defeating him. Strategic and logistic problems are treated in a similarly realistic manner in Gordon R. Dickson's *Dorsai* (1959) and in the same author's planet-bound war novels like *The Tactics of Mistake* (1971). Unlike typical space operas, too, works like these have a solid economic, political and philosophical background.

But there was one tautly realistic novel of space war that was simultaneously loved and hated when it first appeared in 1959 and has been loved and hated ever since: Robert A. Heinlein's *Starship Troopers.*

Unlike even the Piper and Dickson novels, it is told from the viewpoint of the ordinary soldier—not of the generals or commanders. And it isn't just about fleets of spaceships and death rays, but hand-to-hand combat, even if this requires the help of fighting suits operated by servomechanisms on many alien worlds.

Readers voted the novel a Hugo award for its realistic story of the young recruit Rico—from enlistment, through training and into combat. But there were few takes for its Social Darwinist philosophy of Survival of the Fittest in the Galaxy—the fittest being those best at killing, hopefully *homo sapiens.*

THE FOREVER WAR

Both Heinlein and *Starship Troopers* may

have to move over this year, however. A new champion has appeared on the scene. His name is Joe Haldeman and his novel is *The Forever War.* Haldeman is a Vietnam veteran—he hasn't simply, like Heinlein, been through the military; he has been through a *war.*

Not surprisingly, his viewpoint in *The Forever War* is just the opposite of Heinlein's: the Terran war against the Taurans turns out at the end to have been, not the defense of a noble cause, but the cynical maneuver of the military establishment. But for an antiwar novel, it is remarkably free of pacifist as well as militarist cliches: Haldeman's soldiers aren't stereotyped bloodthirsty villains, but real people caught up in a tragic conflict where their only choice is to kill or be killed.

In fact, the plot owes a lot to *Starship Troopers,* following the career of William Mandella from basic training through combat, on alien planets and in space, as he matures from a raw recruit to a hardened veteran.

But there are some radical departures from Heinlein's format, too. Women are combat soldiers in Haldeman's novel, and casual sex is the rule of the barracks. Mandella's lover isn't the girl back home, but a fellow combatant as close to death as himself.

And the world they both left behind is changing beyond recognition. Because of relativistic time effects in spaceships travelling at nearly the speed of light, what seems like months aboard ship can be decades, or even centuries, back on Earth. Such effects have been treated before in science fiction—but never so persuasively.

Even after their first mission, Mandella and Marygay find Earth so changed it has no place for them. Several hundred years later, ectogenesis and homosexuality are considered normal—and their heterosexual love a perversion. And at the end, "humanity" has become more alien, almost, than the "enemy."

Haldeman's science is more up-to-date than that of the space operas, of course: no faster-than-light drive, but transitions from one part of the galaxy to another can be made through black holes (an idea that has seriously been suggested by scientists).

Yet the realistic seems stranger than the fantastic—the military technology and the combat scenes are every bit as good as Heinlein's, but Haldeman's vision of war also takes on the awful grandeur of another classic SF theme: the Discovery of Space and the Discovery of Time as emotional realities.

Although science fiction hardcovers rarely find much of a market, *The Forever War* sold out overnight and has become an eagerly sought-after item—as well as a potential Hugo and Nebula contender. And the novel deserves it.

Perhaps, too, it is symptomatic of changing attitudes: Poul Anderson's *Fire Time* (1974) involves a tragic, *messy* war and its impact on a planet in danger of a natural catastrophe that threatens the native civilization there. Yet it is set in the same universe as Anderson's *The Star Fox* (1966), which dramatized a "just" war and which some interpreted as an *apologia* for Vietnam.

In science fiction, as elsewhere, the glory seems to be going out of war—and it's probably just as well. ◻

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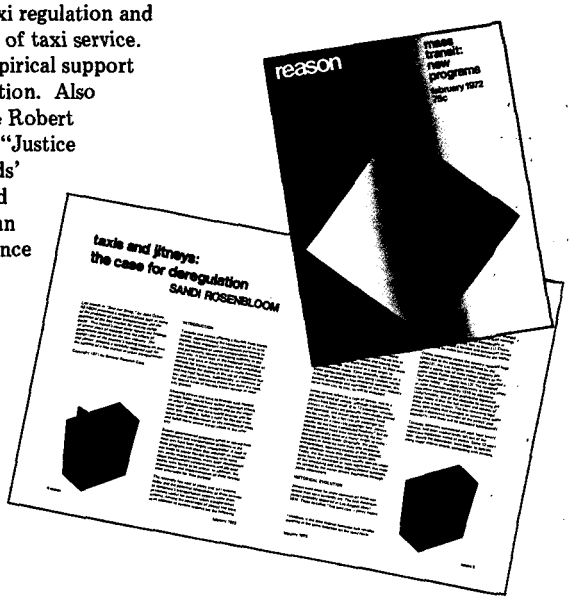

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publisher's notes

• **NEW POLICY ON LIST RENTALS:** We advised REASON readers in this column in the May issue of our practice of renting our subscriber list to selected organizations and companies. We do this primarily to derive a source of revenue that helps keep REASON subscription rates down, and also to help our readers obtain information of events, organizations or services we think they might find of interest. We review the advertising copy of each mailer before approving the list rental, and we turn down groups whose material seems to us to be anti-freedom or otherwise offensive. Recently a mailing went out to a portion of our subscription list which included material not approved by us. This unauthorized mailing is presently being handled by our lawyer.

Because we have received some complaints from readers concerning our policy of renting our mailing list, we have re-evaluated our practice, and we have now decided to offer our subscribers the option of having their names kept off lists we rent to others. Readers who prefer to have their names removed from our rental list may do so by writing us, requesting the deletion of your name, and enclosing your mailing label. Needless to say, we don't intend to purge anyone's name from our list (even if you may not agree with all of REASON's views), unless you request it. We feel our new policy to be in keeping with our commitment to voluntarism and free choice, and so long as you, our loyal reader, continue to read REASON, we certainly won't get upset if you notify us to delete your name from our rental list.

• **N.B.A. WINNER:** Robert Nozick's new book, *Anarchy, State and Utopia,* received the National Book Award in philosophy, a significant milestone for the libertarian movement. Nozick's book, which will be reviewed in REASON's special book issue this fall, has received favorable comment in such publications as the *New York Review of Books, Newsweek* and *Forbes.* Nozick was described in *Forbes* (March 15) as one of Harvard University's "most graceful and gifted intellects." His book contains a powerful attack on egalitarianism, taxation and paternalistic laws, and a strong defense of private property and the free-market system. We're delighted to see the impact being made by Nozick (who is a member of the Libertarian Party of Massachusetts), and we wonder if it's occurred to anyone at Harvard to suggest that John Kenneth Galbraith read Nozick's prize-winning book.

• **FINANCING REFUGEE RESETTLEMENT:** The U.S. Government's program to resettle Indochinese refugees included a request by President Ford for an appropriation of $507 million to pay for transportation of the estimated 150,000 refugees to staging camps in the Pacific and for their relocation and resettlement in the U.S. The most notable contribution to the debate on the subject was the May 16 proposal of Senator Jesse Helms (R-N.C.) who stunned his Senate colleagues by proposing that each member of Congress donate $1,000 to help finance refugee resettlement. Waving his $1,000 check during the debate, Helms said that instead of "massive programs financed by the taxpayers," resettlement should be financed by voluntary private contributions, starting with $1,000 each from members of Congress.

We heartily endorse Helms' proposal and commend him for his perceptive assessment of the issues. Helms told his Senate colleagues:

> "It is easy to appropriate $500 million of other people's money, and to advertise ourselves to be benefactors to the people of this nation. Too often Congress seems to forget that funds in the U.S. Treasury are obtained by duress. It is time we quit fooling ourselves about the meaning of generosity. Let us now provide real leadership, with personal responsibility, and reach into our own wallets instead of into the taxpayers' wallets."

Unfortunately, Helms' proposal was soundly defeated by a vote of 75 to 5, and the Senate instead passed overwhelmingly (79-2) a $405 million appropriation bill for refugee resettlement. The only support for Helms came from Sens. Barry Goldwater (R-Ariz.), Strom Thurmond (R-S.C.), James A. McClure (R-Ida.) and Carl T. Curtis (R-Neb.). Let's hope more members of Congress begin to understand and adopt the Helms' approach to government generosity with taxpayers' funds.

• **"NO CONFIDENCE" BALLOT:** A variant of the "None of the Above" ballot choice, discussed in REASON's April 1975 issue, has been adopted in Nevada. The new measure, adopted in May, provides a chance for Nevadans to mark a vote of "no confidence" in the 1976 election.

A bill is presently pending in the California Legislature which would enable voters to reject all candidates by adding a ballot category, "None of the above is acceptable." As pointed out in our editorial in April, we reject the "lesser of two evils" approach to voting (it's preferable to leave the ballot blank than to vote for a candidate who is recognized as evil) and we enthusiastically endorse proposals such as these which help allow voters to cast a meaningful ballot when no qualified candidate is running. ◻

Norris—Vancouver Sun, Canada

"Called myself an MP . . . Member of the Public . . . gave myself a $10,600 tax-free allowance . . . got nabbed for impersonating a politician."

frontlines

MANY MAGAZINES

At one point the libertarian movement was defined as "500 activists selling magazines to each other" and the movement media still consists of numerous newsletters and journals. Here is a list of some new, small libertarian periodicals which readers might find of interest (this list isn't meant to be exhaustive—other mags will be listed as space permits):

• *Cogitations,* **David Narlee,** editor; a small quarterly magazine placing emphasis on the social sciences; $3.50 a year; 114 Greenfield Lane, Scituate, MA 02066.

• *Henry J. Hohenstein Newsletter;* a monthly newsletter on real estate investment by the author of *The IRS Conspiracy;* P.O. Box 674, Hermosa Beach, CA 90254.

• *Lesbian Voices,* **Rosalie Nichols,** editor; a well-written quarterly magazine stressing individualism and anarchism with regards to lesbian-feminist issues, published by the Lesbian-Feminist Alliance of Santa Clara County; $4.00 per year; P.O. Box 3122, San Jose, CA 95116.

• *Free!,* **Jerry Dickson,** editor; a monthly newsletter of commentary on Science Fiction, politics, and the national and Hawaiian libertarian movement; $5.00 a year; c/o J. Dickson, P.O. Box 2776, Honolulu, HI 96803.

• *San Diego Libertarian Alternative Newsletter,* **Sara Baase,** editor; an excellent monthly newsletter dealing with local and national libertarian activities, commentary, and examples of political absurdity; P.O. Box 15011, San Diego, CA 92115.

• *Tennessee Liberty Bell,* **Myrle and Philip Carden,** editors; monthly newsletter on Tennessee politics and the Libertarian Party; $9.00 a year for nonmembers; Committee For Individual Liberty, P.O. Box 60347, Nashville, TN 37206.

• *Florida Libertarian,* **Judith Miley,** editor; excellent monthly newsletter of the Florida LP; $6.00 a year; LPSF, P.O. Box 5132, Ft. Lauderdale, FL 33310.

• *Illinois Libertarian,* **Robert Osterlund,** editor; monthly newsletter of the Illinois LP; $6.00 a year; LPI, P.O. Box 1776, Chicago, IL 60690.

• *Principle,* **Vince Miller,** editor; bimonthly newsletter of the Canadian LP; $3.00 a year (might be higher for U.S.); LP of Canada, 4866 Yonge St., Willowdale, Ontario M2N 5N2.

• *Charles Curley Letter,* monthly newsletter of commentary on the LP and general politics; $5.00 a year; King Rat Enterprises, 1945 Weepah Way, Los Angeles, CA 90046.

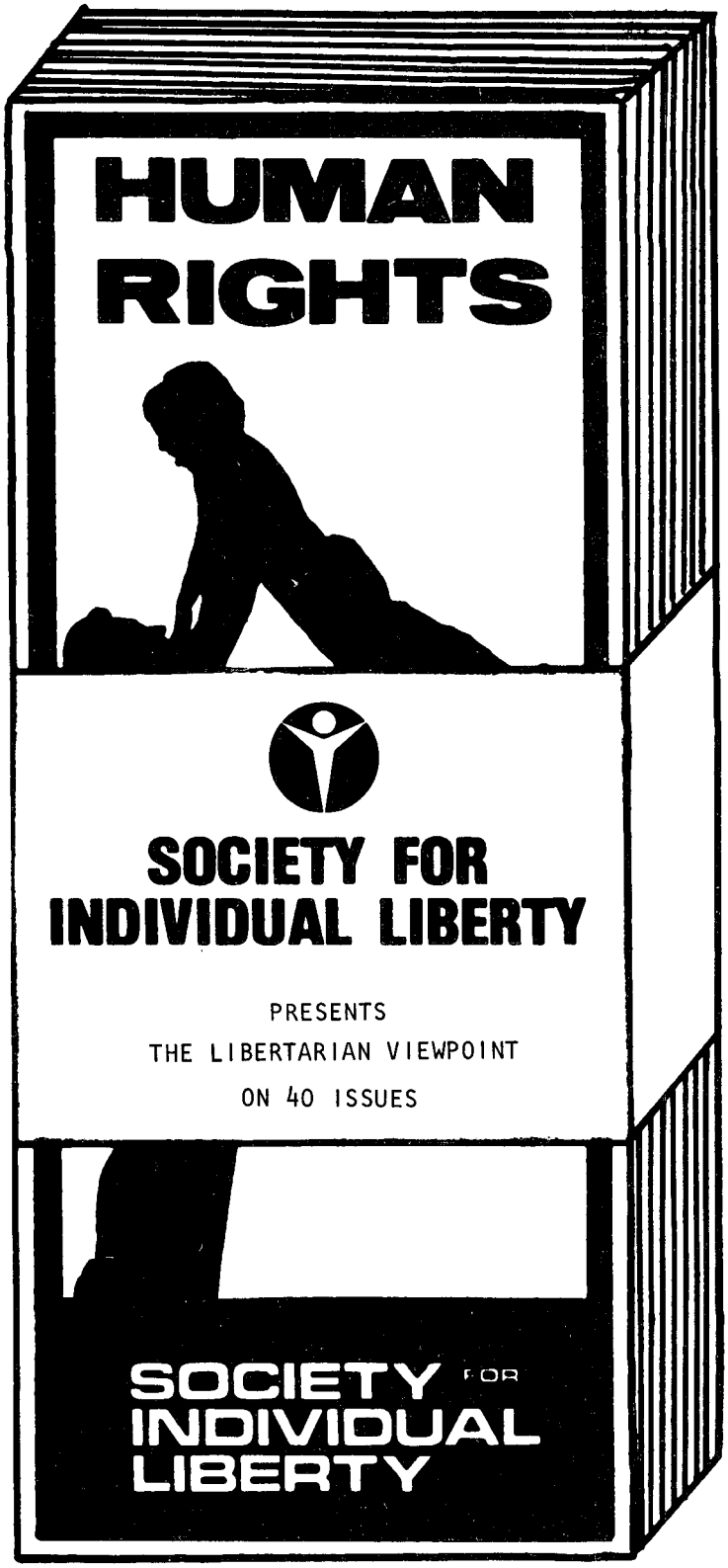
• *Renaissance News,* (apparently) **Mike Holmes** and **William Howell,** editors; newsletter of the Texas LP; TLP, 1023 East Shaw, Pasadena, TX 77506.

• *Free Libertarian,* **Arthur O'Sullivan,** editor; professionally-done monthly newsletter of the Free Libertarian Party of New York; $7.50 a year; FLP, 15 W. 38th St. #201, New York, NY 10018.

NEWS AND NOTES

A **National Association of Libertarian Lawyers** is being organized by **Donald Feder** and **Gary Greenberg.** The purposes of the association will be to spread libertarian ideas within the legal community and the general public, work for libertarian legislation, and provide legal assistance to activists within the libertarian movement. They will hold an organizing conference the week of the National Libertarian Party Convention, August 25 through 31 in New York City. Those wishing to become involved or participate in the conference should contact Donald Feder, 102 W. First Ave., Johnstown, NY 12095 . . . The **Ottawa Libertarian Associates** has been formed in Canada to work on local libertarian educational programs and to field slates of candidates in local, nonpartisan elections. Those interested should contact the OLA, P.O. Box 9104, Terminal Lobby, Ottawa, Ontario, K1G 3T8 . . . **IMPORTANT NEWS! The Free Libertarian Party of New York** has selected *the porcupine* as their state party animal at their State Convention. Running an "animated" campaign, the porcupine was selected over the skunk on the second ballot when most supporters of the rattlesnake threw their support behind the porcupine. **Gary Greenberg,** newly-elected FLP State Chairperson explained, "The porcupine is a nonaggressive animal that minds its own business. Its quills are used solely as a defensive weapon. Unlike the politician, the porcupine is not a predatory animal" . . . **The Intercollegiate Studies Institute** announces The 1975 Ludwig Von Mises Memorial Essay Contest. The subject of entered essays is "The Growth of Bureaucracy: Issues and Alternatives." The contest offers $2000 in prizes and is open to high school and college students only. The entry deadline is July 31. For more information, write to ISI, 14 S. Bryn Mawr Ave., Bryn Mawr, PA 19010 . . . A regional chapter of the **New Libertarian Alliance** has been formed in Oregon. Their first project will be to join forces with the **Research Committee For a Fair Choice** in getting the Voter's Complete Choice Initiative on the ballot (see REASON, April 1975). Contact **Eric Geislinger,** 2634 S.W. Mitchell Ct., Portland, OR 97201 . . . **The Libertarian Party of Iowa** has been formed and is holding monthly dinner meetings. People interested in getting involved with the LPI should contact the new State Chairperson, **William Bockoven,** First National Bank Bldg., 5th and Burnett, Ames, IA 50010 . . . **Lloyd Taylor,** 1974 write-in candidate for California State Treasurer of the **Libertarian Party** and **Peace and Freedom Party,** has announced his candidacy for San Francisco County Board of Supervisors. The election will be held in November of this year and is nonpartisan. Anyone interested in helping Lloyd get elected should contact his campaign headquarters at 360 Pine St., San Francisco, CA 94104; phone (415) 788-1193 . . . **Equitarian Associates** will hold a conference on the "Philosophy of Man" August 1 and 2 at the Pfister Hotel in Milwaukee, Wisconsin. The conference topic will deal with the question of man's nature: whether man has a nature and if so what are the implications, both for and against the assertion of that nature, with respect to moral, political, and social questions. Speakers at the conference will be **Dr. John O. Nelson, Dr. Tibor Machan, Dr. Fred Miller, Dr. Allan Harder, Douglas Den Uyl,** and **Douglas Rasmussen.** For information write to Douglas Den Uyl, 10016 North Ave., Wauwatosa, WI 53226 . . . The Poughkeepsie Libertarians are off and running again. **Carole Cohen,** wife of last year's Congressional candidate **Sandy Cohen,** has announced her candidacy for Mayor of Poughkeepsie, and will enter the Republican and Conservative parties primaries. **Ellen Davis,** former campaign manager for Sandy Cohen, will enter the Democratic primary for Dutchess County Executive. Both women will appear on the Free Libertarian Party line, whether or not they win their respective major party primaries. (Note: There are recent rumors that Ms. Davis may switch to running for County Board with Republican Party backing, a much more viable position. More updates later.). Anyone wishing to assist with the campaign should contact Candidates for Liberty, Box 1776, Poughkeepsie, NY 12601; phone (914) 471-8771 . . . **The San Francisco Bay Area Supper Club** held its first meeting in March with **Murray Rothbard** as the speaker. Over 200 people attended. Their second meeting was held in May with **Dr. Robert Cunningham,** and they plan on holding semi-regular meetings. If you would like to be on their mailing list, write to **Ray Cunningham,** 450 Liberty St. #4, San Francisco, CA 94114 . . . ◻

Please send material for inclusion in FRONTLINES *to Lynn Kinsky at* REASON, *Box 6151, Santa Barbara, CA 93111.*



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reason profile

The growth of the Libertarian Party since 1972 has often led people to presume that the only route to libertarian activism is through electoral politics. However, there is a much older libertarian tradition, particularly in California, represented by activists such as Lloyd Licher, who is responsible for the highly successful Libertarian Supper Club of Los Angeles and who publishes its *Newsletter* (for information write to 12536 Woodbine St., Los Angeles, CA 10066): "I believe the means must be consistent with the end—i.e., no force or coercion. Therefore, for the end (a free society) to exist, most of the people in it must believe that it is the best form of society, or have more respect for those who do than for those who don't. It's an educational problem—the practical moral alternatives to the State have to be publicized and demonstrated until enough people withdraw their sanction of the State, such that it ceases to be effective. It is inconsistent and wrong to think that a free society can be brought about by political activity which, by its nature, is immoral; thus I believe that the Libertarian Party is a contradiction in terms and errs by calling itself the party of principle."

Mr. Licher's involvement with libertarianism began in the 1950's with Ayn Rand's novels and after he moved to Los Angeles he began taking courses at Andrew Galambos' Free Enterprise Institute. There he became acquainted with other organizations such as Robert LeFevre's Rampart College and Leonard Read's Roundation for Economic Education, and he took some courses from Harry Browne. He also helped with *Innovator,* a publication that stressed self-liberation, agoric (non-hierarchical) businesses, and the formation of alternative institutions and libertarian communities. Mr. Licher recently helped found and is secretary-treasurer of the First Libertarian Church, to help propagate the ethical doctrine of voluntarism.

Born in 1927, Mr. Licher received his B.S. in aeronautical engineering from MIT in 1950 and worked in the aerospace industry until 1957, when he became the executive director of the Soaring Society of America, Inc.—a happy synthesis of vocation and avocation he still holds. (He flew sail planes competitively until grounded by a minor heart ailment in 1962. In addition he helped found and is president of the United States Hang Gliding Association and has edited several soaring and hang gliding publications. His other interests include music (classical and show tunes), reading, fixing things mechanical, and baseball. Married for 22 years, he and his wife Rose Marie have two sons in college. ◻

photo credit: S. A. Aldott

LLOYD M. LICHER

letters

GAY RIGHTS

I want to endorse and second the point made by "Richard Brewer" about gay rights ["Letters," May]. Libertarian Party candidates may shy away from this issue simply because it is a sure vote-loser among straight people, even if a few precincts here and there could be carried with it. As a matter of principle, obviously, the LP is for gay rights. As a matter of politics, the LP might feel uneasy. It would be a serious mistake for any LP candidate to waffle on an issue as close to our basic ideals as personal freedom of choice and association.

I have found that one gains more credibility and respect in the long run by a direct, unqualified statement, such as "Yes, I believe that homosexuals have every right to be free to live their own lives" than by some verbal evasion. This issue, like the question of atheism, ought to be openly faced and never avoided simply because of hostile audience response. We will get more respect from supporters who count in the longer struggle if we maintain a consistent integrity. We are *not* conservatives.

Joe Cobb
Chicago, IL

SOCIAL FREEDOM

My thanks to Mr. "Richard Brewer" for his letter on gay rights [May] and to you, the Editors, for printing his remarks.

Of course the real issue here is not one of gay rights as such, but rather of individual rights. If we, as libertarians, know that each human being is—by nature—free, self-controlling and self-responsible (and that political libertarianism consists of the protection of the logical consequences in individual implementation), it follows that the issue of gay rights should not be a matter of controversy among libertarians.

Yet, in subtle ways, it is.

This is most evident in the relative lack of comment in the libertarian press on past and present political and social persecution of homosexuals. (While the left-liberal press generally supports gay rights, and the conservative press generally opposes.) It is also evidenced by verbal barbs of prejudice which are sometimes encountered in personal discussions with fellow libertarians.

The point I wish to make, however, is that primary responsibility for the lack of discussion on gay rights in the libertarian forum lies not with the editors of REASON (unless some of you are gay), nor with as yet prejudiced or disinterested persons who would prefer no discussion at all. The responsibility is with Mr. Brewer (until he wrote his letter) and with every other homosexual libertarian who allows barbs of prejudice to be greeted by silence—and who does not submit articles on the matter of gay rights to REASON for publication.

Social freedom is the logical consequence of political and economic freedom. There cannot be the one without the other.

Libertarians having extensively explored the political and economic sphere might now ponder the importance (and the opportunity) of vigorously examining the arena of social freedom. Including gay rights.

Blacks, Indians, "hippies" and gay persons are individually (and by statute law, collectively) persecuted by both traditional left and right. The ground is fertile for the dissemination of libertarianism *everywhere,* because everywhere there are only individual human beings.

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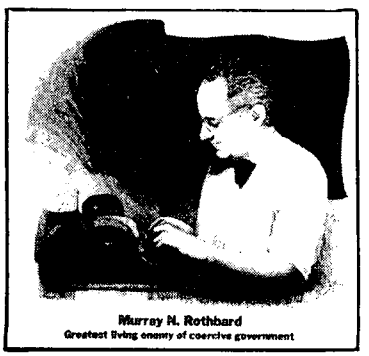

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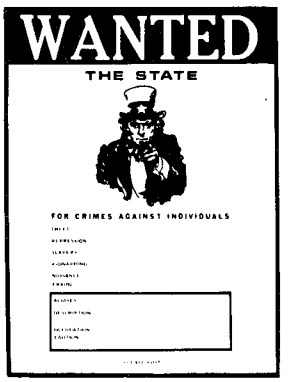

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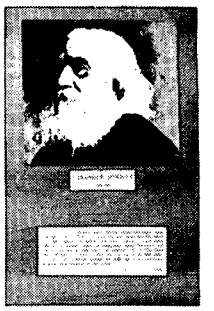

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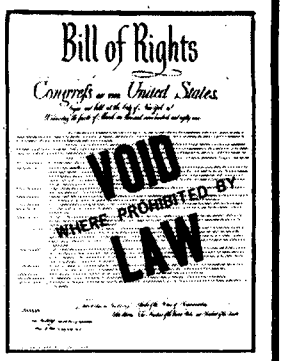

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Reason's Letter of the Month

The letter below, by subscriber Sam H. Husbands, Jr., appeared in the March 10, 1975 issue of *The Wall Street Journal:*

A REMARKABLE EXAMPLE

Edward Carlson, chairman of United Air Lines, wrote a remarkable letter (Feb. 24) to your newspaper in answer to your advocacy of deregulation of U.S. airlines—remarkable because it is one of the most clear-cut examples of how perfectly competent management can find themselves relying on regulations and unable to imagine anything other than chaos reigning without bureaucracy pulling the strings. His imaginings as to what the airline industry would be like without regulation fly in the face of human nature, as well as the empirical examples of how other industries cope with similar problems.

He suggests under free entry and exit, conditions for firm orders for aircraft would not exist and yet under those conditions, orders are placed daily for super-tankers costing more than the most expensive aircraft, oil-drilling rigs costing $50,000,000 or more, buildings to house supermarkets or department stores, and new plant for virtually all non-transportation or non-utility industry.

He suggests single ticketing would no longer exist, but why not? The free market tends to be rational, and it would be rational for a trunk airline to tie in its ticketing arrangement with both other trunk airlines and feeder lines. The line that elected not to do so would surely find competition a disciplinary force.

He suggests small communities might fail to receive any airline service without major carriers taking up unprofitable routes. Major airlines service small communities at a loss because their scheduling and equipment is economically unsuitable for the volume of traffic, an irrational act were the regulators not twisting arms. Left to the market place, I have no doubt there would be a proliferation of feeder service to small communities using everything from light twins up to small jets, with flight frequencies neither too often nor too few, but just the right number to turn a profit without encouraging competition.

Mr. Carlson suggests that we not abandon a regulated airline industry because it has worked well. Aeroflot's director would no doubt make the same appeal were the virtue of his monopoly questioned. The point is that free markets have shown their efficiency in almost all elements of human action. It is not the fanciful, the nebulous or the unknown, but the innovative and proven way the deregulators would have—and I would bet Mr. Carlson would keep his airline Number One under a free system, too.

Sam H. Husbands, Jr.
San Francisco, CA

REASON subscribers are encouraged to write letters to the editor of their favorite newspaper, magazine, or journal, presenting libertarian views on topics of current interest. Each month REASON selects the most notable published letter for republication in this space, and honors the writer by a six-month extension of his or her REASON subscription. Send copies of your published letters to Reason Letter of the Month, Box 6151, Santa Barbara, CA 93111.

individuality not only jibes with a cogent political theory (libertarianism), it is a biological fact. Science, history and the laws of economics back us up. Let's make the most of it. And apply it *consistently.*

Michael Washburn
Raleigh, NC

Thank you, *Mr. Washburn, for making the point that people who are interested in issues such as gay rights, feminism, Indian rights, etc. should take responsibility for publicizing their views on those issues. Too often people assume that a magazine* won't *cover a certain topic simply because they* haven't *covered that topic—that is not true with REASON. We at REASON would be delighted to carry more articles on "social freedom" topics, but we're busy enough producing a monthly magazine (and working at our regular professions besides) that we don't have the time to write such articles. However, we welcome "unsolicited" manuscripts—aspiring authors should first send for our Author Information Sheet, and then get busy writing!*—L.K.

KUDOS

Bravo Mr. Katz! I'm happy to know that the world is not going entirely to the dogs. The Katz article [April] was alone worth the price of a year's subscription. I think though, that he was a little hard on Harry Browne, a young man with yet some promise who has already taken many licks from the verbally aggressive libertarians. Katz should have saved some of those brickbats for Albert J. Nock and other nonpolitical pessimists who went along all their lives with *yin.* Rare indeed is the person who blends *yin* and *yang* in the proportions appropriate to his times. It's very hard not to become discouraged after losing a '64 and winning a '68.

Political realities should convince us to place our emphasis on persuasion. Nock and Browne can contribute to the building of our patience, self-possession, and integrity—these are necessities for persuasion. We dare not let them ignore the goal of a free society, but neither do we dare let any goal take possession of us.

Ira E. Marvin
Fairfield, OH

PRECONDITION OF FREEDOM

Congratulations to REASON and Howard Katz for one of the most excellently written, and reasoned, articles recently published [April]. It has been far too rare an event for someone to show the necessity and practicality of moral values. However, Katz's arguments must be taken a step further: if freedom is a precondition of economic values, what is the precondition of freedom, and can it be taken for granted? Ask yourself if anything could uphold political freedom in a madhouse controlled by the inmates!

Rationality is the value presupposed by freedom, a value rapidly evaporating from our society, and one without which I doubt any purely political tactics stand a chance. Can we expect men to appreciate the value of freedom, when they have been convinced of the irrelevance of all values? This is an error philosophy must correct; perhaps political action will assist the process.

Lawrence A. Azlin III
Blacksburg, VA

NO TO POLITICS

I have to disagree profoundly with Howard S. Katz' recent article in REASON. It's all very well to say that individual self-liberation efforts cannot provide full protection against the depredations of the State. Has it ever been shown that *political* movements can do so? The only cases of increasing freedom that I know of occurred in frontier societies or societies which traded heavily with such frontiers—the U.S. and Western Europe, for example. Profreedom movements in more settled societies—the U.S.S.R., 18th century France, *or the U.S.*—led *or will lead* only to continuing slavery.

Moreover, Katz' vision of the alternatives open to us is ridiculously narrow. Does he imagine that Harry Browne's strategies are the only ones possible? Or that no one is aware of Nietzsche, Stirner, the

Sophists, or on a practical level of the *Whole Earth Catalog* or *Vonulife?* Does he really believe that everyone either works within the conventional categories of material success or joins political movements to change the paths to success (as if joining such movements weren't a conventional image of 'success'!)? Are we to imagine that no one is capable of realistic analysis of the problems facing a person who wishes to survive, and that there are no people who have recognized how unstable the current social situation is and tried to escape its dangers in some individual way without simply relying on established modes of action to save them?

I grant that some self-liberators are involved in ego-tripping of various kinds over how successful they have been. So are some politicians—the LP furnishes prize spectacles of this behavior. But careful economic analysis of the *real* possibilities open to each of us as individuals is the *only* route with any hope of success. Banding together under the leadership of political quacks will not—though the quacks are scarcely likely to admit this. Quite aside from the monumental inefficiency of movements structured around collective incentives such as the considerations of status and prestige so vital to political groups, the very presence of these incentives is bound to make such movements pay off only for power freaks of various kinds. I am sorry to have to counsel despair—but I see no more hope of achieving freedom in any widespread social situation, without the opening of new frontiers, than of attaining immortality without radical new discoveries in biochemistry—and political movements cannot produce either. I can hope for the best, but I prefer also to prepare for the bad times ahead without wasting my energies for the ego gratification of political activism.

William Stoddard
Chula Vista, CA

MOTIVATIONS

I found Howard Katz's article, "The Case for Political Action," bewildering in so many different ways that a full discussion would require thousands of words. To give a mere sample of the problems I see in this article, I would like to comment on just one passage: Katz's attempted refutation of the argument that political action—since its benefits accrue "only marginally" to oneself—is inherently altruistic.

"My answer to this," Katz states, "is that I am a fundamental believer in justice. I do not believe that one has to see one's specific reward in front on one's nose in order to justify pursuing a course of action." These two sentences, by themselves, amount to an endorsement of the Kantian view that one should pursue "justice" in complete disregard of one's own interests. Is this really what Katz intends?

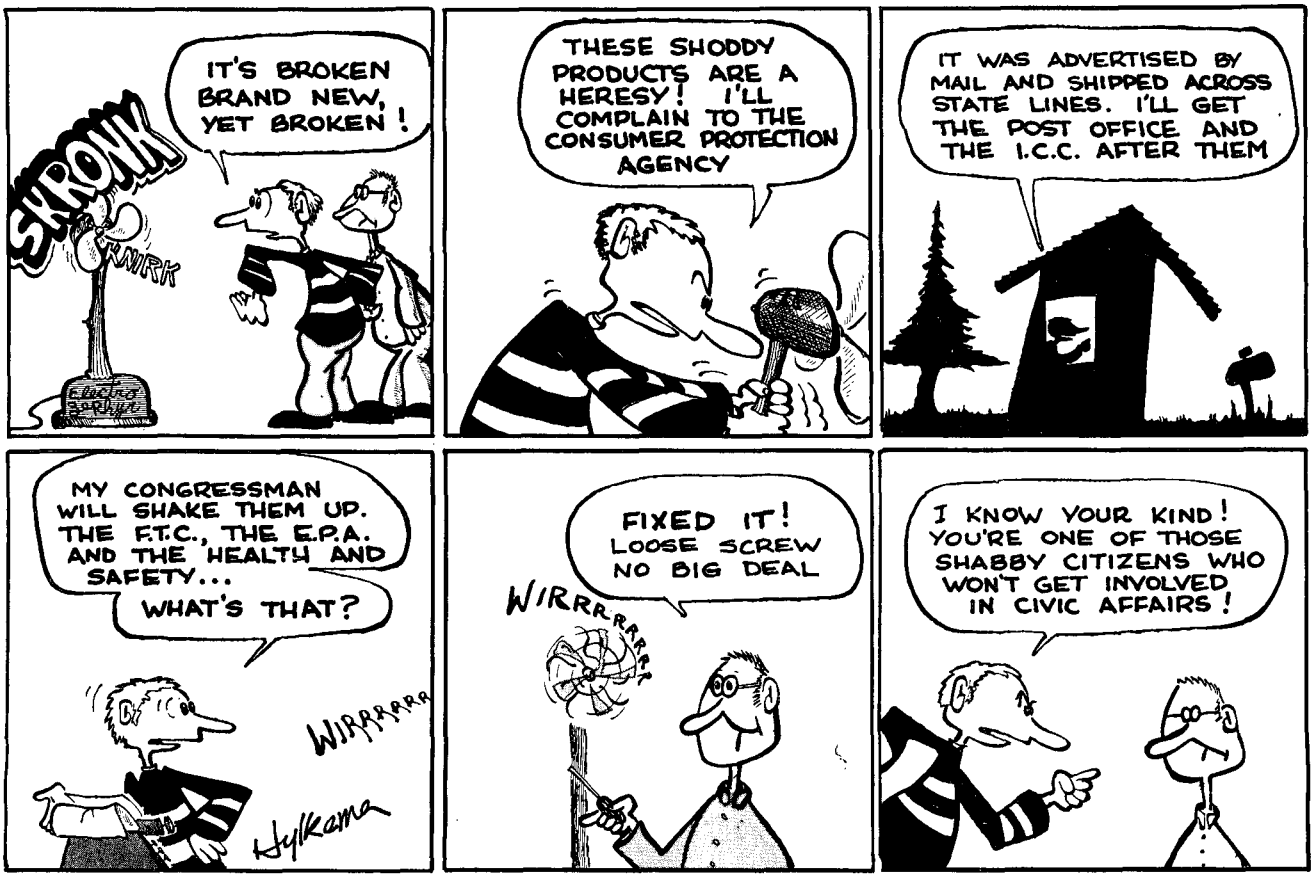
Well, perhaps not, for, a little later, he states, "If a person waits until the exact, specific reward is in front of his face, then he can never pursue the long range values, which are the most important values of all." Now Katz is suggesting, though vaguely, that political action is not a selfless struggle for "justice" after all—that it offers definite, albeit "long range," rewards to the individual. Very well; what, precisely, are these rewards?

In the midst of a thoroughly unclarifying analogy having to do with primitive villages, Katz offers his answer: the reward for political action is "recognition and gratitude" from others. This is—at best—an interesting report on Katz's own motivation. But the question remains: what about those of us who do *not* experience a craving for "recognition and gratitude"?

There are other rewards, too, Katz assures us—rewards of a more "material" nature. For example, "leaders in a political move-

rudebarbs

RANDALL K HYLKEMA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WHAT'S THAT?
WIRRRRRRR
Hylkema
FIXED IT! LOOSE SCREW NO BIG DEAL
WIRRRRRRR
I KNOW YOUR KIND! YOU'RE ONE OF THOSE SHABBY CITIZENS WHO WON'T GET INVOLVED IN CIVIC AFFAIRS!

ment are in demand for books, articles, lectures, etc." Yes—and so are astronauts and gurus. But would anyone argue that that constitutes a sufficient reason for becoming an astronaut or a guru?

Katz cites one more "reward" for activists: "Political offices are open to them [!!]." This is a *reward?* With utmost restraint, I can only say that I hope there are not very many libertarians who share this particular view of political office.

And such, believe it or not, is the full extent of Katz's "answer" to the crucially important claim that political action is altruistic. He offers a few homilies about how "In the long run justice will be served," then goes on to another subject.

I have often suspected that many libertarian activists, despite their avowals of rationality and egoism, do not really have any clear understanding of why they engage in political activities. Katz's article has done a great deal to confirm this suspicion.

Robert Masters
Maple Falls, WA

MAKING IT CLEAR

I just finished reading the interview with Leonard Read [April] and I enjoyed it very much. I also agree with Mr. Read that there is a great need for people to be able to explain the case for the free market, private ownership and limited government in terms that the average person can understand. I do hope that more writers and speakers will try harder in the future to make their articles and lectures as easy to comprehend as possible.

I can imagine that perhaps intellectuals run out of patience with individuals who consistently need terms, examples, etc., brought down to their level, but until this is done we will continue to have people criticizing the laissez-faire philosophy simply because they do not understand it. Can we afford this? I think not!

Marilyn M. Hughey
Springport, MI

HOW DO WE LIMIT GOVERNMENT?

Tibor Machan and Leonard Read ["Interview," April] are guilty of intellectual dishonesty. They, like every other "limited government advocate" that I have read, go around advocating a "principled government—a government limited to where it should be limited . . ." BUT (and it's a big but), they never, *never* tell us exactly *how* they propose to limit a government that does not want to be limited. This is not a question to be taken lightly, for it is the very heart of a "limited government" system that could work.

The patent office used to require inventors to submit working models of their inventions before a patent would be issued. Perhaps, such a request is in order for those who have "invented" limited government. Let us see a "working model" so that we can really believe the claims laid to this "perpetual motion machine."

David Michael Myers
Hughesville, MD

TURKEY BALLOT

Ridgway Foley's piece on "A Meaningful Franchise" [April] is a thorough and commendable exploration of libertarian alternatives to the present ballot system. Unfortunately it is vastly too complicated and thus probably doomed to failure.

Here in Vermont, as chairman of a county Republican Committee, I offered a similar proposal for a "turkey ballot." This is Foley's "protest vote," designed to give the voters a chance to reject all the "turkeys" seeking a particular office.

In the Vermont turkey ballot proposal (in general elections, not primaries), voters could vote for "none of the above." If "none of the above" won a plurality, all of the turkeys on the ballot would be disqualified. A new election would be called, with new candidates nominated by party caucuses or by independent nomination process. If "none of the above" won a plurality once again, all of the new crop of turkeys would be disqualified and yet another election held. I do not consider it likely, however, that a second special election would ever be necessary.

There are a couple of refinements that perhaps should be added. There should probably be a 40 percent plurality requirement, which Vermont does not have under present law. It might be smart to assess part of the cost of the special election upon the candidates disqualified in the first, secured by a bond.

But in any case, the straight turkey ballot has an instinctive appeal to all but fearful would-be candidates, who might well face the humiliation of being outpolled by nobody. Adding Foley's "abolition of the office" choice not only clutters up the matter, but presents serious questions of responsibility, since statutes or the courts may well have to decide who may exercise the functions of the officer whose office is abolished.

In a mail poll of about 80 Republican county committeemen and women in the three northeastern counties, in January 1974, respondents favored the turkey ballot by a 48-19 margin. Unfortunately, the incumbent legislator who had promised to introduce the measure was himself defeated (by a real person) in the 1974 primary, in large part due to his well-publicized amorous liaison with a 14-year old page during the preceding session. (Her mother filed a civil suit for rape.) We are now looking for a more likely sponsor . . .

John McClaughry
Lyndonville, VT

FURTHER SUGGESTIONS

The "Draft constitutional amendment for the voter's complete choice" [April] is extremely attractive and well thought out. However, I would suggest eliminating the rather baroque mechanism by which an acting office-holder would be picked when no candidate received a majority and the election was thus declared void. The proposed "convention comprised of all duly elected precinct committeemen and precinct committeewomen" would waste large quantities of time and money, would raise many senseless legal issues (regarding who the participants in the convention are to be and how precincts are to be apportioned) and would create anomalies if the office of precinct committeeperson (which the draft indicates is to be an elective office) were abolished by the voters or if the election for *that* office were voided.

I suggest instead then when an election is voided, the acting office-holder be the candidate who came in *second* in the voting. This proposal would be more in keeping with the rationale of the provisions in the draft that are to keep the acting office-holder from using the office to further his political ambitions: in this case he could not claim any kind of mandate, since he would not have won *any* contest, not even election by the precinct committeepersons.

It might be objected that under my proposal an unscrupulous candidate who expected to come in second could persuade a third candidate to run who would siphon off enough votes from the most popular candidate to prevent anyone from getting a majority, thereby putting Mr. Unscrupulous in office. However, if voters can vote for "none of the above," those who are dissatisfied with the most popular candidate can vote against him without voting for either Mr. Unscrupulous or the third candidate. The stooge can't take away votes that the other candidate wouldn't have received anyway. In addition, my proposal is in keeping with the spirit of honoring votes for "none of the above": while it would allow "one of the above" to hold the office, "none of the above" would acquire the power and prestige that usually ac-

company the winning of an election.

My proposal would make sense only in elections for office, not in primary elections, since forcing one party to put up its second most popular candidate would give an unfair advantage to the other parties. However, given the rest of the draft constitutional amendment, there is no particular need to void primary elections when no candidate receives a majority. If Tweedledum is the most popular Republican candidate, there is no reason why he should be denied a place on the ballot, provided the voters aren't forced into giving either him or Tweedledee the title of "The people's choice."

James D. McCawley
Chicago, IL

ERRATUM
The assertion in the April 1975 "Reason Profile" that David Brudnoy is the only nationally syndicated libertarian columnist is false. Libertarian John Chamberlain, author of the monthly *Freeman* feature "A Reviewer's Notebook," has been putting out a nationally syndicated column for quite some time.

Art Diamond, Jr.
Chicago, IL

Letters from readers are welcome. Each receives editorial consideration, although only a selection can be published and none individually acknowledged. They should be kept as brief as possible and are subject to condensation. Letters submitted for publication in this column should be typed, double-spaced. Send letters to REASON, P.O. Box 6151, Santa Barbara, CA 93111.

The names of the victims have not been released.

We are the many
of whom the names have not been released.
We are the many
who die quietly everyday
from our wounds.
We are the many
for whom nobody dares protest,
yet our number are like the six million,
and no one has written
to dare to protest.
I am one of the many who die quietly everyday,
but do not inform my next of kin.
I am one of the many
of whom the names will not be released.
No, we are the many who just die quietly
everyday, eachday.

Rudolph J. Laubscher

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OBJECTIVIST-LIBERTARIAN, male, married, 28, B.A. history/philosophy, seeking job in California. 5½ years bookkeeping and management experience in hotel industry, but will consider *any* position. Additional interests include economics, mathematics, physics, and firearms. Reply REASON, Box LS.

ENVIRONMENTALIST — SOLUTION-FINDER. Has successfully applied libertarian philosophy to erosion, water, planning, etc. in suburban area. Writer, broadcaster, agricultural background, "jack-of-many-trades — master of some." *Hawin,* P.O. Box 624, West Chester, PA 19380.

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NEED TECHNICAL HELP? I am 27, degreed in Mechanical Engineering Technology and materials science (ceramics, glass and especially metallurgy) and seeking work in a Western state. Graduated Spring '74. Browne orientation. Would like to hear from *any* interested outfit. Call (219) 923-4869 or write Box DC, REASON, for resume.

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WHITHER AGORAFUND? Bought $150 of Agorafund certificates last year. By registered mail, I asked Agorafund to sell those certificates and send me proceeds with guaranteed dividend. Mark Brady signed return receipt on March 3, 1975. So far, no payment nor response from Agorafund. *William Haga,* Box 1752, Monterey, CA 93940.

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HELLO! WOULD LIKE TO MEET objectivist oriented people in Bakersfield, California area. Write or call Karla Necessary, P.O. Box 9021, Bakersfield, CA 93309, (805) 399-2678.

OBJECTIVISM APPEARS TO BE STUFFED with aspiring artists, musicians, politicians and economists. Where are the scientists? Write: *Walt Karwicki II,* 512 Tolbert, Gainesville, FL 32611.

OBJECTIVIST MEDICAL STUDENT, 26, would like to meet other individuals who think along the same lines in Belgium and vicinity. Dick Wills, 38 rue de l'Enseignement, Liege, Belgium. Phone (041) 425257.

TO WHOM IT MAY CONCERN: I am terminating my attendance at any and all Objectivist contexts in N.Y.C. or elsewhere that are sponsored, supported or approved of by Miss Rand. If Miss Rand thinks that her treatment of me for the past seven years does *not* constitute cruel and unusual punishment for a minor slip of the pen, then she does not place a very high value on her context. Intellectual justice should be tempered with *all* the facts, knowledge of the charges, and a proper chance to defend oneself. Anything less is amateur psychologizing. Loyalty is a two-way street. *Ophelia Betty Hendrie,* 39A Rockwood Garden Apartments, Middletown, NY 10940.

LIBERTARIAN MAN, 30, living in the Twin City Minnesota area seeks close relationship with woman with similar philosophy. If, inside, you approach life with a child's innocence and curiosity, are cutting your own path in the world, are full of fire and determination to see your ideas win, and don't know what it means to give up, write me, we have what counts in common. Reply to Box SM, REASON.

DID YOU ENJOY PAUL GROSS (REASON, July 1973)? Do you take yourself seriously and still have a sense of humor? Anarcho-capitalist (Autarchist) man, 28, and woman, 27, seek contact with individuals or couples—anything from correspondence to possible romantic relationships. We're married, but NOT monogamous. Man's interests include firearms, philosophy, economics, archery, economic self-sufficiency, maritime history. Woman's include psychology, philosophy, firearms, writing, nutrition, self-sufficiency survival skills, music. Our favorite authors include Rand, Branden, Rothbard, Spooner, Heinlein, Tolkien, Robert E. Howard, Andre Norton. Long range goal: establish a life away from " society". REASON, Box LA.

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DEAR "LOTHARIO": At the risk of violating the "penal code of New York State," here's notice that I am excommunicating *myself* from your context permanently because I can't respond to stuck, frozen men. I'm *not* "dead among the wildflowers," *yet.* Go take a walking contradiction in the snow, Buster. Harrassed? Call the Marines, little mama's boy. Your roses stink, frigid. And you can tell *that* to your frumpy, late old lady. Bang, you're dead. Ophelia, a Neo-Objectivist.

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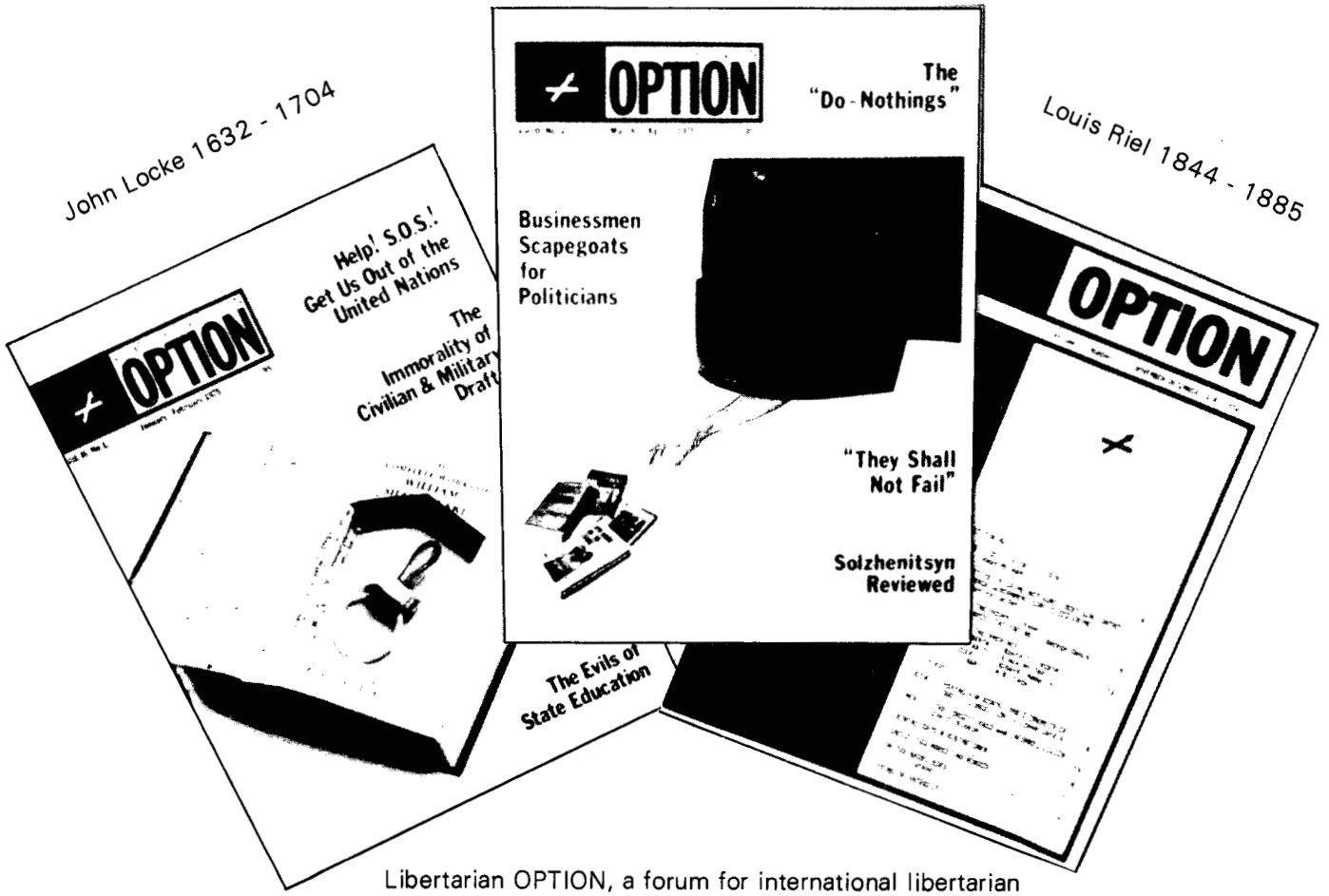

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